Annual Report
2009

STADA
Arzneimittel

Key figures for the Group in € million	2009	Previous year	± %
Group sales	1,568.8	1,646.2	-5%
Sales in core segments, total	1,508.2	1,523.4	-1%
• Generics	1,115.6	1,154.5	-3%
• Branded Products	392.6	368.9	+6%
Operating profit	191.9	176.4	+9%
Operating profit, adjusted[1)]	*211.1*	*221.4*	*-5%*
EBITDA (Earnings before interest, taxes, depreciation and amortization)	280.1	255.4	+10%
EBITDA (Earnings before interest, taxes, depreciation and amortization), adjusted[1)]	*287.5*	*294.3*	*-2%*
EBIT (Earnings before interest and taxes)	192.5	175.2	+10%
EBIT (Earnings before interest and taxes), adjusted[1)]	*210.8*	*219.0*	*-4%*
EBT (Earnings before taxes)	141.5	105.5	+34%
EBT (Earnings before taxes), adjusted[1)]	*163.0*	*164.8*	*-1%*
Net income[2)]	100.4	76.2	+32%
Net income[2)], adjusted[1)]	*115.8*	*116.0*	*0%*
Cash flow from operating activities	250.5	129.3	+94%
Cash flow from operating activities, adjusted[3)]	*261.2*	*151.0*	*+73%*
Equity	869.7	839.7	+4%
Capital expenditure	124.8	137.3	-9%
Depreciation and amortization (net of write-ups)	87.6	80.2	+9%
Average number of employees for the year[4)]	8,064	8,318	-3%

Key share figures	2009	Previous year	± %
Market capitalization (year-end) in € million	1,424.2	1,204.6	+18%
Year-end closing price (XETRA®) in €	24.20	20.50	+18%
Number of shares (year-end)	58,849,820	58,759,820	0%
Average number of shares (without treasury shares)	58,662,392	58,632,021	0%
Earnings per share in €	1.71	1.30	+32%
Earnings per share in €, adjusted[1)]	*1.97*	*1.98*	*0%*
Diluted earnings per share in €	1.70	1.28	+33%
Diluted earnings per share in €, adjusted[1)]	*1.96*	*1.95*	*+1%*
Dividend per share in €	0.55[5)]	0.52	+6%
Total dividend payments in € million	32.3[5)]	30.5	+6%

1) Adjusted for one-time special effects as well as effects from currency influences and interest rate hedge transactions in 2008 and 2009.
2) Unless otherwise stated, "net income" in this report refers to income attributable to the shareholders' stake in STADA Arzneimittel AG, which under IFRS also represents the basis for calculating earnings per share and diluted earnings per share.
3) Adjusted for influences outside of the reporting period.
4) This average number includes initial consolidations on a pro-rata basis. At the end of 2009, STADA Group had 7,981 employees as of the balance sheet date (December 31, 2008: 8,299).
5) Proposed.

STADA AT A GLANCE

STADA – the business model

- Focus on products with off-patent active pharmaceutical ingredients in the health care and, in particular, in the pharmaceutical market
- Core segments:
  - Generics (71% of Group sales)
  - Branded Products (25% of Group sales)
- Established operating success factors:
  - Positioning in long-term growth markets
  - Strong product development
  - Broad international sales infrastructure
  - Continuing cost optimization
  - Proven capacity to make quick structural changes
  - Cautious acquisition policy

STADA 2009 – good results in a difficult environment

- Net income: clearly improved by 32% to € 100.4 million
- Group sales: declined by 5% to € 1.57 billion as planned, increased, however, by 4% when adjusted for currency effects and portfolio changes
- Key earnings figures: generally improved as compared to previous year (adjusted for special effects nearly at previous year level)
- Adjusted EBITDA of € 287.5 million clearly above minimum goal of € 250 million
- Group project “STADA – build the future” to strengthen the mid and long-term earnings potential introduced
- Successful product development: 486 product launches
- Proposal to increase the dividend by 6% to € 0.55 per common share

STADA – outlook

- Opportunity for operative growth in the years to come
- Additional goals for 2010: at minimum a stabilization of adjusted operating margins as well as a reduction of net debt

LETTER TO SHAREHOLDERS FROM THE CHAIRMAN OF THE EXECUTIVE BOARD

Dear shareholders,

As expected, 2009 was another difficult year for STADA. However, despite unfavorable structural market changes in markets that are important for STADA, including, in particular, the German domestic market, as well as heavy burdens from currency effects in the course of the global financial and economic crisis, STADA achieved a good result in financial year 2009.

Although sales reported in financial year 2009 fell by 5%, when adjusted for portfolio changes made since then – particularly the significant disposal in the United Kingdom in the second half of 2008 – as well as currency influences, Group sales increased by 4%.

All reported key earnings figures of the STADA Group clearly increased in financial year 2009. Net income increased by 32%, earnings before interest, taxes, depreciation and amortization (EBITDA) by 10%. Having achieved an adjusted EBITDA of € 287.5 million, we clearly exceeded the minimum goal formulated at the beginning of the year of an adjusted EBITDA of € 250 million. In these difficult times we can talk about good results, considering too, that the earnings level from the previous year in 2009, adjusted for special effects, war nearly achieved.

These good results are largely based on the strong performance of our employees, to whom, on behalf of the entire Executive Board I would like to extend my sincere thanks. Of course, I would also like to thank the Supervisory Board and the Advisory Board for their constructive cooperation.

The capital markets too have evidently finally recognized the good results for financial year 2009. After falls in the STADA share price, which in our view were irrational, were still being recorded at the beginning of 2009, the share price increased by 18% overall during the course of the year. Anyone who invested in STADA shares when they were at their lowest point in the first quarter of 2009 would have a very pleasing price increase of 139% at the end of the year. And also in the current financial year 2010 the STADA share price has fortunately continued its recovery so far.

In the view of the Executive Board, STADA's business model proved itself once again in 2009. For this reason, no fundamental changes are to be made to the Group's strategic focus on products with off-patent active pharmaceutical ingredients in selected segments of the pharmaceutical and particularly the generics market; we will thus continue to rely on market segments with long-term structural growth potential.

This strategic focus is, however, – as again demonstrated by financial year 2009 – inevitably associated with risks and challenges, which repeatedly result from intense competition and changed or additional state regulation.

A particularly negative example is, unfortunately, the German domestic market, as, since mid 2007 with the last health care reform, the door has been opened in the German market to the abuse, by way of discount agreements, of the purchasing power of statutory health insurance organizations against the generics sector. In these agreements, the health insurance organizations pressure the generics industry to reduce their margins, which could instantly put some small market participants on a devastating course and could even do severe damage to the big players in the sector – also to us, as discount agreements clearly burdened operating profitability of our business here in the German domestic market.

In addition, the Group will continue to have to deal with specific effects of the global financial and economic crisis – such as significant exchange rate volatilities.

We continue to constantly align the Group to this operationally challenging environment. With our strategic positioning and established operating strengths, and in particular, consistent cost optimization, opportunities open up which, in our assessment, generally allow for the challenges in individual national markets to be coped with successfully at Group level.

One of these operational strengths is the international sales network with STADA sales companies currently in 30 countries, which allows international use of the Group product portfolio. Without the consistent internationalization and the associated diversification of recent years, STADA would not have been able to largely offset the current burdens from the German market at Group level.

Another one of STADA's success factors is, from the Executive Board's perspective, the Group's strong product development. Due to a product pipeline which remains well-filled, STADA will be able to continuously expand the product portfolio – especially in the core segment of Generics – also in the years to come.

Our capacity to optimize costs, particularly in the area of cost of sales, the largest cost block, will play an increasingly important role in future business success. The margin pressure of the markets must be countered year by year by significant savings. In this area, we have an established and very successful continuous cost optimization, which for example, increasingly involves our suppliers in market risk and allocates more and more of our production capacities to our own facilities in low-cost countries.

It is our intention and obligation however, to further increase the rate of this cost optimization and in this context, in particular, to thoroughly scrutinize the existing operating Group structures. These are partly still characterized by our long acquisition history; the question must be asked as to whether functions, which were initially deliberately accepted as decentralized, could not be transferred to more efficient, centralized structures for the sake of a fast and smooth integration.

In 2009, we started the Group-wide project "STADA – build the future" for this purpose. The aim of this project is to strengthen the mid and long-term earnings potential. The strategic goals of this project, in which external consultants are also deployed, are a reduction of the complexity of the Group structures, more efficient centralized control of Group companies as well as an acceleration of the continuous cost optimization. The Executive Board expects, from today's perspective, that the "STADA – build the future" project will allow additional earnings contributions to be achieved which, with the implementation of the individual measures, will amount to annual savings in the double-digit million area, although initially this can obviously be associated with increased investments as well as burdens due to one-time special effects.

Against the backdrop of the continuing concentration of processes in the Generics industry, we, in conclusion, continue to see the opportunity, but also the necessity, to complement the Group's organic growth with additional external growth impulses. In this context, we expressly do not exclude cooperations with a significant capital investment, since Group size is becoming increasingly important in the Generics industry, due to the fact that cost optimization can most easily be achieved with the associated economy of scale effects.

STADA's aim, in the coming years, is thus to react quickly and flexibly to changing market structures and the effects of the ongoing global financial and economic crisis while at the same time ensuring competitiveness through increased cost optimization. In the view of the Executive Board, this sets us on the right path, which should allow us to again achieve operative growth and at least a stabilization of operating margins in 2010.

Hartmut Retzlaff
Chairman of the Executive Board

STADA ANNUAL REPORT 2009

MANAGEMENT REPORT OF THE EXECUTIVE BOARD

STADA CONSOLIDATED FINANCIAL STATEMENTS 2009

ADDITIONAL INFORMATION

MANAGEMENT REPORT OF THE EXECUTIVE BOARD

GENERAL STATEMENTS ON BUSINESS SITUATION

Five-Year Comparison in € million[1]	2009	2008	2007	2006	2005
Group sales	1,568.8	1,646.2	1,570.5	1,245.1	1,022.1
Operating profit	191.9	176.4	215.5	180.5	127.1
Operating profit, adjusted	*211.1*	*221.4*	*249.5*	*186.4*	*142.6*
EBITDA[2]	280.1	255.4	288.6	232.6	161.2
EBITDA, adjusted	*287.5*	*294.3*	*315.5*	*233.0*	*176.6*
EBIT[3]	192.5	175.2	186.8	168.7	107.1
EBIT, adjusted	*210.8*	*219.0*	*249.0*	*186.7*	*142.8*
EBT[4]	141.5	105.5	149.8	145.2	97.5
EBT, adjusted	*163.0*	*164.8*	*209.5*	*163.2*	*133.3*
Net income	100.4	76.2	104.2	91.8	51.6
Net income, adjusted	*115.8*	*116.0*	*144.9*	*102.1*	*80.5*

Good results for 2009 in a difficult environment

In financial year 2009 the STADA Group's sales and earnings development were within the scope of the outlook given by the Executive Board at the beginning of the year.

At € 1,568.8 million (previous year: € 1,646.2 million) sales decreased, as planned, by 5%. The main causes for this were a challenging environment in individual national markets, in particular in the German market, disposals of non-core activities made since then as well as the effects of the continuing global financial and economic crisis, mainly in the form of negative currency effects and liquidity bottlenecks with business partners in East-European markets.

However, adjusted for non-operational effects from portfolio changes and currency effects, the Group recorded sales growth of 4% in 2009.

Key earnings figures from the STADA Group were also characterized by the difficult framework conditions in the reporting year. As anticipated by the Executive Board at the beginning of the year, it was possible in the second half of the year to reverse the earnings shortfall of the first two quarters of 2009.

Thus, all recorded key earnings figures of the STADA Group increased across the board, despite the sales decrease in financial year 2009; net income rose by 32% to € 100.4 million (previous year: € 76.2 million) and earnings before interest, taxes, depreciation and amortization (EBITDA) rose by 10% to € 280.1 million (previous year: € 255.4 million).

1) The accounting treatment of shareholdings in BIOCEUTICALS Arzneimittel AG was changed retroactively for the years 2007 to 2001 (see "Financial Situation – Development of the Balance Sheet"). For reasons of the practicability caveat as specified under IAS 8.43 ff, the comparison figures and the key figures for the 2006 to 2001 period were not adapted. Therefore, disclosures made in this Annual Report for financial years 2006 and before do not include the recognition of BIOCEUTICALS Arzneimittel AG as an associated company under the equity method.

2) Earnings before interest, taxes, depreciation and amortization.
3) Earnings before interest and taxes.
4) Earnings before taxes.

The earnings level of the previous year, adjusted for one-time special effects as well as non-operational effects of currency influences and interest rate hedges was nearly achieved. The corresponding adjusted net income reached the previous year level at € 115.8 million (previous year: € 116.0 million). The moderate decrease in adjusted EBITDA of 2% to € 287.5 million (previous year: € 294.3 million) was in the planning area; the minimum goal communicated at the beginning of the year of an adjusted EBITDA of € 250 million was significantly exceeded.

Thus, overall in 2009 STADA achieved good earnings in the view of the Executive Board against the backdrop of difficult framework conditions, which proves that the STADA business model also generates significantly positive earnings despite an accumulation of burdening effects.

Stable financial position and increased free cash flow

In the Executive Board's view, the STADA Group's financial position continues to be stable.

On the balance sheet date, the equity-to-assets ratio was 35.5% (December 31, 2008: 34.0%) and thereby remains clearly above the minimum rate desired by the Executive Board. Net debt as of the balance sheet date amounted to € 899.0 million (December 31, 2008: € 1,015.7 million) and was therefore € 116.7 million lower than the value as of December 31, 2008.

The Executive Board is currently hesitant to again increase the Group's net debt in order to finance external growth, without, however, ruling out taking advantage of special opportunities. More importantly, the Executive Board is striving for a return of the net debt to adjusted EBITDA ratio to a maximum value of 3; at the same time, the long-term refinancing structure of the Group to increase liquidity security should be optimized, without borrowing additional equity.

For larger projects such as acquisitions or cooperations with capital investments, however, appropriate capital measures continue to be imaginable if the burden on the equity-to-assets ratio from such acquisitions or cooperations is too high.

Cash flow from operating activities amounted to € 250.5 million in the reporting year (previous year: € 129.3 million) and adjusted for influences outside of the period[1)] to € 261.2 million (previous year adjusted for influences outside of the period at that time[2):] € 151.0 million) and thereby achieved the highest value in the company history of STADA. The same applies to free cash flow which, in 2009, reached € 144.0 million (previous year: € -14.0 million) and € 169.4 million (previous year: € 48.8 million) when adjusted for significant influences outside of the reporting period as well as payments for acquisitions and proceeds from disposals.

Productive development pipeline

With the further expansion of the product portfolio and the introduction of 486 individual products world-wide in many national markets, the Group once again proved the strength of the STADA product development during the reporting year.

1) Utilization of provisions from 2008 as a consequence of the negative patent decision in Germany in connection with the active pharmaceutical ingredient Olanzapine.

2) Utilization of provisions from 2007 for the restructuring of the German generics business.

Also, for the years to come, the Executive Board expects that the product development of the Group will provide the STADA sales companies with a continuous flow of approvals for new product launches, particularly in the core segment Generics.

No risks that jeopardize the continued existence of the Group discernable

STADA has an established and ongoing risk management system in order to identify both general business risks and specific risks associated with this type of business activity and to reduce these risks to an appropriate extent so that they are proportionate to the expected benefit from the relevant business activity.

On the basis of this, the Executive Board assumes an unchanged challenging environment for STADA in which, however, from today's perspective no risks which threaten the continued existence of the STADA Group are discernable.

Cautious acquisition policy

In view of the continuing global financial and economic crisis, STADA continued in 2009 with a cautious acquisition policy with unchanged stringent standards in terms of profitability and appropriateness of the purchase price.

In this context, the Group only completed a few acquisitions in the reporting year. These included, in addition to a small number of acquisitions in the fields of products and production, minimal increases in shareholdings in Serbia and Bosnia-Herzegovina and in BIOCEUTICALS Arzneimittel AG, only a small company acquisition in order to expand the existing business in Denmark.

Dividend increase

STADA's Executive Board proposes to the Supervisory Board to recommend to the next Annual General Meeting on June 8, 2010 a dividend for the financial year 2009 in the amount of € 0.55 per common share. This corresponds to a dividend increase of 6% in relation to the previous year of € 0.52 per common share. The proposed total dividend payments thereby amount to € 32.3 million (previous year: € 30.5 million). The recommended distribution ratio thus amounts to approx. 32% of net income (previous year: approx. 40%).

With this proposed resolution to increase the dividend, the Executive Board aims to allow shareholders to participate in the increased reported Group earnings, without placing too great a restriction on the Group's financial flexibility for further growth or calling into question the mid-term goal of further decreasing net debt.

Highly volatile share price development

The development of the STADA share was very volatile and at times decreased significantly in 2009 also due to the continuing global financial and economic crisis. However, from the second quarter of 2009 the price of the STADA share considerably increased in value and by year-end 2009 was 139% above the lowest price of the year and 18% above the closing price of the previous year. In the current financial year too, the trend of a share price recovery has so far continued.

Outlook

STADA's business model targets markets with long-term growth potentials in the health care and pharmaceutical market; therefore it is unavoidable that risks and challenges are associated with this which repeatedly arise from intensified competition and changed or additional state regulation. In addition, the Group will have to continue to deal with relevant non-operational factors, in particular relating to the specific effects of the global financial and economic crisis, such as significant exchange rate volatility.

Also in the current financial year 2010, the sales and earnings development of the STADA Group will continue to be characterized by the differing and in part opposite factors in the different national markets. However, the sales increase for the Group in 2010 expected overall by the Executive Board should also have a positive impact on earnings development.

The Executive Board expects that the current "STADA – build the future" project for the optimization of Group structures will allow additional earnings contributions to be achieved, which with the gradual implementation of the individual measures, will add up to annual savings in the double-digit million area. However, from today's perspective after decisions on the implementation of the measures anticipated in the first half year of 2010 rising investments as well as burdens on the income statement due to project-related one-time special effects must be expected.

Against the backdrop of these factors influencing the Group's earnings development, the Executive Board in its overall assessment expects that in the 2010 financial year, operationally there is the opportunity for earnings growth and at least a stabilization of operating margins.

It should generally be possible, from today's perspective, to achieve growth in terms of sales and also in terms of all operational, i.e. adjusted for one-time special effects, key earnings figures in financial year 2010.

BUSINESS AND GENERAL CONDITIONS

Business Model, Core Segments and Structural Environment

Business model targets markets with long-term growth potential

STADA Arzneimittel AG's business model is focused on the health care market. Within the framework of the Group's internationally organized business activities, the pharmaceutical and, in particular, the generics market with expected long-term growth potential, are the focus of activities.

Also, in the future, many national health care markets will have significant growth opportunities and will be less dependent on economic influences than other markets. The basis for this is both general growth drivers such as medical progress, increasing life expectancy in industrial countries and global population growth as well as specific growth drivers such as progressive generics penetration and continuous patent expirations. Due to this continually increasing demand in the health care market, the international pharmaceutical market is also growing, as in the health economy cross-comparison, drugs continue to be viewed as particularly efficient in comparison to other treatment methods. In view of this, according to forecasts, sales in the global pharmaceutical market which in 2009 rose by approx. 6.7% to € 539.6 billion, should increase by 2014 by 5% to 8% per year.[1)]

With regard to costs and risks, STADA deliberately does not conduct any own research on new active pharmaceutical ingredients, but rather focuses on the development and marketing of products with active ingredients – generally active pharmaceutical ingredients – which are free from commercial property rights, particularly patents. These are then commercially positioned in the core segments of Generics or Branded Products.

In the view of STADA's Executive Board, within the pharmaceutical market, generics in particular have growth potential as they enable cost-effective medicative therapy without any loss in quality and thereby counteract the continuously increasing cost pressure in the individual national health care systems. In addition, the market potential available for generics competition is constantly being expanded due to the continuous expiration of patents or other commercial property rights.

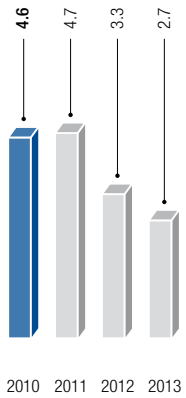
Also current figures prove the major growth potential of generics. Thus, sales in the international generics market in 2009 rose by approx. 6.2%[2)] to approx. € 110.0 billion[3)]. This translates to a market share of generics in the worldwide pharmaceutical market 2009 of 20.6%. Even if the future sales growth of the generics market could be weakened despite a continued significant volume rise through greater price pressure, IMS Health, a leading international pharmaceutical market research institute, is still assuming in its current forecasts an unchanged annual growth rate of the global generics market of up to 9% by 2014.[4)]

1) IMS MIDAS Dec. 2009; IMS Generic Market Prognosis, June 2009; IMS Thought Leadership analysis prepared for STADA Dec. 2009.
2) IMS Generic Market Prognosis, June 2009; IMS Thought Leadership analysis prepared for STADA Dec. 2009. Data based on the 26 leading generics markets.
3) Data based on the 26 leading generics markets and a projection for the other generics markets.
4) IMS Generic Market Prognosis, June 2009; IMS Thought Leadership analysis prepared for STADA Dec. 2009. The market data on generics fluctuates in some cases substantially due to differing market definitions from source to source.

STADA's Executive Board expects in particular for the European generics market a continued significant growth potential. This assumption is based, among other things, on the fact that the sales volume alone for newly available active pharmaceutical ingredients for generics competition between 2010 and 2013 in the largest national markets by sales volume in Europe, namely Germany, United Kingdom, France and Italy, according to current market research figures is already above € 15 billion[1]. Furthermore, STADA is assuming in most markets in Europe a further generics penetration which currently is still very different in the individual national markets.

Also according to data from IMS Health, average annual generics growth for the EU of 5.9%[2] for the period 2009 to 2011 is expected. In addition, generics growth is set to be particularly pronounced in the so-called CEE countries[3]. Here according to estimates from PMR[4] by 2011 average annual growth of 14% will be possible. With its sales share of 25% in Eastern Europe, STADA should benefit appropriately.

Newly available sales volumes for generics marketing in the four countries Germany, UK, France and Italy in € billion per year[1]



Operational challenges and risks of STADA's business model

However, the constant growth of the markets on which STADA's business model is based, has at the same time unavoidable operating challenges and risks (see "Risk Report").

These include in particular measures required due to state regulation, as it is one of the tasks of each country to make health care provision available to the largest number of people possible at reasonable costs for the individual. Against this backdrop, nearly all national health care systems are subject to constant cost pressure due to the continuous increase in demand which regularly also entails cost-cutting state regulation.

There continue to be very different regulatory framework conditions in the social security systems of the individual national markets that are expected not be subjected to any supranational harmonization also in the future.

In particular in Generics, the larger of the two STADA core segments (see "Business and General Conditions – Business Model, Core Segments and Structural Environment") the demand mechanisms depend to a large extent on these framework conditions of the respective local regulations. Hereby interventions into health care policy, such as pricing, granting of discounts, reimbursability, type and amount of patient co-payments or the question as to whether products with the same active pharmaceutical ingredients can be substituted in pharmacies, can all have significant effects on the development of individual STADA sales companies and on the STADA Group as a whole.

1) STADA estimate of sales volumes in 2009 at ex-factory prices for active pharmaceutical ingredients for which STADA from today's perspective expects the patents or other commercial property rights relevant for generics competition to expire by 2013, based on data provided by various international market research institutes. STADA's expectations as to the date of availability of active pharmaceutical ingredients for generics competition are continuously being reviewed from a legal perspective and may in future significantly differ from today's (status: March 1, 2010) expectations as expressed in this data. The actual sales volumes becoming available for generics competition at the respective dates are subject to fluctuations as a result of changing market success, legal situations or market structures, among other factors.

2) IMS Generic Market Prognosis, June 2009; IMS Thought Leadership analysis prepared for STADA, Dec. 2009; data based on the 16 leading generics markets in Western Europe.
3) Central and Eastern Europe including Russia.
4) Data from PMR Publications (2009): Generic and innovative drugs market in Central and Eastern Europe 2009.

Within this, framework regulation can mean a weakening for generics, if for example it leads to the introduction of state ordered price reductions, or triggers stimulating effects if for example state incentives can be created for the prescription of more cost-effective generics.

In addition, there is also generally a very high degree of competition in the generics markets in which the STADA Group operates. This applies both to the competition between generics suppliers amongst themselves and between the generics suppliers and the initial suppliers of the active pharmaceutical ingredients marketed as generics. If the competitive focus within the generics companies is based on the parameters of price, conditions and service, then in the competition between generics and initial supplier products, legal and in particular patent-related questions can be important.

Also in the STADA Group's second core segment of Branded Products (see "Business and General Conditions – Business Model, Core Segments and Structural Environment") growth prospects can be seen based on long-term trends such as the increasing life expectancy. However, here in the case of branded products economic influences in individual national markets play a greater role than in the case of generics, as the expenses for branded products are mainly assumed by the patients themselves and only partly reimbursed. Moreover the development of branded products can be subjected to regulatory framework conditions such as changed reimbursement regulatory conditions or pricing requirements even if in general with lower frequency and less marked operating consequences than with generics.

Consequences of the continuing global financial and economic crisis

In addition to the specific challenges and risks which form part of STADA's business model, the Group in financial year 2009 was also affected by the continuing global financial and economic crisis.

STADA takes increased precautions for all emerging or imaginable developments such as a clearly increased default risk of business partners, possible subsidies for more crisis-prone competitors that distort competition or continued strong volatility in interest rates or currency exchange rates relevant to the Group. In view of the historically unparalleled extent of the financial and economic crisis, however, its influences on STADA could not and cannot be totally averted.

Specifically in the 2009 financial year in the Group view, the translation of sales and earnings from non-euro markets, particularly the important national markets of Russia and Serbia for STADA, but also the United Kingdom into the Group currency euro was burdened by a pronounced weakness of the respective national currencies in relation to the euro. Using the 2008 foreign exchange rates for all non-euro sales of the Group, in 2009 Group sales would have been higher by € 80.7 million or 5% respectively (see "Financial Situation – Development of Sales").

In the individual national markets, in particular in Eastern Europe and especially pronounced in Serbia, the operational development of the local subsidiaries was impaired due to local weaknesses in demand as a result of the continuing global financial and economic crisis (see “Development of Segments – Information by Region – Serbia”).

Due to high volatility in the financial markets the Group was also subjected to non-operational burdens on earnings due to currency influences and interest rate hedges in 2009 (see “Earnings Situation – Development of Earnings and Costs”).

Furthermore, in 2009 the Group had to carry out in some individual cases, value adjustments for receivables in relation to wholesalers in East-European markets, which were affected by the liquidity crisis in their respective economies (see “Earnings Situation – Development of Earnings and Costs”).

In addition, the continuation of the global financial and economic crisis also resulted in further risks for STADA’s business model (see “Risk Report”). For example, the economic downturn can increase cost pressure in individual national markets and thereby – and in particular in the generics area – the speed and scope of local regulatory measures to contain costs. For the branded products of the Group, the difficult economic framework conditions resulting from the continuing global financial and economic crisis could lead to a reduction in demand as these products are paid for predominately by the patients themselves.

In principle a continuation of these burdens and risks must be assumed until the global financial and economic crisis has been fully overcome.

Operative alignment and Group management

One operational premise of STADA is local market proximity, in other words local sales management responsibility within the framework of agreed targets. This includes the responsibility for sales and profit, for the local product portfolio and local personnel management in the respective national market. From the perspective of STADA’s Executive Board, these decentralized sales structures allow for the market proximity required for the STADA business model and the necessary operating flexibility to be able to quickly meet changed local framework conditions.

Until now the operational management of individual Group-owned production facilities and sometimes also procurement and other logistics functions were the responsibility of the local management of the relevant national subsidiaries. Within the framework of the “STADA – build the future” project introduced Group-wide in 2009 to strengthen mid and long-term earnings potential (see “Business and General Conditions – Business Model, Core Segments and

Structural Environment – Current Group project STADA – build the future" as well as "Earnings Situation – Development of Earnings and Costs") it is being examined whether here more centralized responsibility can increase efficiency without forfeiting the necessary flexibility and market proximity.

In addition to overall responsibility for the Group's strategy and result, the central Group responsibilities at STADA which support, complement and monitor the structures with decentralized responsibility, include, among others, capital procurement and financing, allocation of essential resources and investments, accounting[1)], controlling, risk management, compliance and corporate governance. This also generally includes, for all products of supranational importance, quality management, product development, procurement and strategic production monitoring including the responsibility for production transfers and processes of continuous cost optimization. The "STADA – build the future" project is also an element of the Group's central management.

In total, the operational positioning of the Group is aimed at cost-effectively combining a Group-wide harmonization and centralization of the essential steps in the value creation chain with the commercially necessary short-term capacity to adapt to changed local framework conditions.

The Group's segmentation in the core segments Generics and Branded Products as well as the non-core activities Commercial Business and Group holdings/other, is therefore based primarily on sales criteria (see "Business and General Conditions – Business Model, Core Segments and Structural Environment"); the different sales requirements of the respective product categories are thus also appropriately taken into consideration in the operational management of the Group.

The financial performance indicators according to which the Group and individual corporate areas, and in particular the local sales companies are managed, are in principle the same for all Group segments. Also below the segment level, they correspond to the market-oriented operational alignment of the Group, as they are as a rule divided by mainly segment-specific local sales companies. These financial performance indicators include sales, gross margin, operating profit – in particular the local operating profitability level in comparison to the Group average – as well as the earnings before taxes and net income. During financial year 2009 additional liquidity oriented key figures were added to the Group's central management.

The development of the respective local – generally segment-specific – market share is used as the most important non-financial performance indicator in the scope of Group management. In addition, depending on the issue to be monitored, further non-financial performance indicators are used – such as possible earnings dilutions and their potential effect on the STADA share price in case of acquisitions.

1) Disclosures in accordance with Section 315 (2) no. 5 of the German Commercial Code (see "Risk Report").

Current Group project "STADA – build the future"

In order to strengthen mid and long-term earnings potential, the "STADA – build the future" project was introduced Group-wide in financial year 2009 for the optimization of Group structures. Strategic goals of this project, in which external consultants are also deployed, are a reduction of the complexity of the Group structures, more efficient centralized control of Group companies as well as an acceleration of the continuous cost optimization with a focus on the fields of cost of sales/production locations as well as organizational, reporting and personnel structures.

STADA's Executive Board stands by its expectation that the "STADA – build the future" project will allow additional earnings contributions to be achieved, which, with the implementation of the individual measures, will amount to annual savings in the double-digit million area.

However, from today's perspective after decisions on the implementation of the measures anticipated in the first half year of 2010, rising investments as well as burdens on the income statement due to project-related one-time special effects must be expected. Already in the 2009 reporting year, in particular in connection with the "STADA – build the future" project, expenses at an amount of € 2.3 million before and € 1.5 million after taxes have been incurred for external consultancy services on the strategic and structural positioning of the Group, which were recorded by STADA as one-time special effects.

For an essential subproject in Russia, an implementation phase had already begun in the fourth quarter of 2009; from this Russian subproject alone, gradually increasing savings are expected to be reached in the course of implementation, which, when all measures have been completed, are expected to add up to more than € 10 million per year. In the course of the current 2010 financial year, reasonable investments in the single-digit million area will create the operational requirements for this purpose (see "Development of Segments – Information by Region – Russia").

Group-wide, the analysis of the results of the current full structure and process analysis will probably be completed in the first half of 2010 and can then be used as the basis for decisions on the measures to be taken.

Core segments Generics and Branded Products

Due to its strategic positioning, the Group concentrates its activities on products with off-patent active pharmaceutical ingredients. These will then be commercially positioned in the two core segments of **Generics** and/or **Branded Products**. While the sales and marketing focus for Generics is based on a low pricing and/or a cross-product and a cross-active-ingredient marketing concept, with Branded Products the specific product characteristics and, in particular, the brand name of the respective product are at the forefront of sales.[1)]

1) For a detailed segment definition see "Notes IFRS – 5.1.".

In financial year 2009, these two core segments Generics and Branded Products contributed with 96.1% (previous year: 92.5%) to Group sales. Thereby, Generics, which continue to be the significantly larger core segment, recorded a share of 71.1% (previous year: 70.1%) of Group sales in the year under review. Generics at STADA continues to include primarily prescription products with a share of 90% (previous year: 90%) of segment sales. The second core segment, Branded Products, contributed in 2009 a total of 25.0% (previous year: 22.4%) to Group sales. STADA's Branded Products, on the other hand, primarily comprises, with a share of 62% (previous year: 64%) of segment sales non-prescription products.[1)]

In the Generics segment, STADA pursues a full-portfolio concept in important national markets such as Germany, Belgium, Italy and France, by which the product portfolio usually covers most relevant active pharmaceutical ingredients with numerous dosage forms and strengths – partly also products with an only low significance for Group sales.

In individual national markets such as the United Kingdom, on the other hand, only a selected product portfolio is offered in which only specific active pharmaceutical ingredients are sold with good local marketing opportunities in the respective national markets. This selective portfolio structure is pursued if, due to specific local market conditions and in particular taking earnings aspects into consideration, it seems to be more promising.

Currently, the Group is assessing, within the framework of the "STADA – build the future" project (see "Business and General Conditions – Business Model, Core Segments and Structural Environment – Current Group project STADA – build the future" as well as "Earnings Situation – Development of Earnings and Costs") whether STADA should pursue the selective product portfolio in selected generics markets more actively than in the past.

STADA has always followed a selective product portfolio structure for Branded Products. STADA's Branded Products are only marketed in selected local markets depending on availability and market responsiveness. Here as far as possible STADA pursues the concept of "strong brands" which as they are very well known, ideally as the local market leader, with comprehensive promotional and sales support, enjoy growth potential independently of local market trends as far as possible.

Non-core activities

At STADA, non-core activities comprise businesses and equity interests in areas outside the two core segments.

The **Commercial Business** segment includes activities with trading character such as wholesaling activities. In 2009 this segment contributed 3.3% (previous year: 3.5%) to Group sales.

1) At Group level, prescription products contribute approx. 77% (previous year: approx. 75%) and non-prescription products approx. 23% (previous year: approx. 25%) to Group sales (according to national categorization).

Other STADA non-core activities are recorded under the segment **Group holdings/other**. The share of this segment amounted to 0.6% in the reporting year (previous year: 3.9%). However, it must be taken into account that in the sales and revenue comparison for the financial years 2009 and 2008, this segment in 2008 still included, among other things, partial sales of the British Forum Products division, deconsolidated as of August 31, 2008 and which did not belong to one of the core segments of the STADA Group. Therefore, the recorded sales and earnings contributions in this segment in 2009 were, as planned, significantly lower.

STADA regularly reviews whether, at least in the mid-term, non-core activities generate a positive contribution to the core segments. Otherwise, they are possibly restructured, reduced or sold.

Sales and Marketing

Market proximity and local sales structure as key STADA success factors

STADA's international sales infrastructure consists of many nationally aligned sales companies, therefore providing them with market proximity, which are supported and managed by the central functions of the Group.

Depending on the specific local market structure and corresponding demand relevance, STADA concentrates, within the framework of the sales and marketing activities of the respective national subsidiaries, on different target groups such as patients and/or consumers, doctors, doctors' cooperatives, pharmacies, pharmacy cooperatives, hospitals, wholesalers and other service providers in the health care market as well as on cost bearers such as statutory health insurance organizations or private insurances.

In order to differentiate the sales activities by specific target groups, STADA also sometimes operates in selected national markets under different national labels thereby operating in parallel with its subsidiaries. Taking the Group requirements into consideration, the individual sales companies can therefore structure their respective product portfolios differently according to local requirements.

This market-oriented sales concept enables STADA to respond promptly to changes in the individual national markets and to quickly adapt its local commercial presentation. Such adaptions can include for example a different product assignment, a diversified market presentation or a change, an expansion or a reduction of local sales structures.

In addition, sales activities in the STADA Group are also coordinated on a supranational level. This applies in particular to the structuring of the portfolio, specifically to Branded Products following the increasing internationalization of individual products, but also in other relevant individual cases, such as supranational wholesaling cooperative agreements.

Continuous expansion of international sales network

To take full advantage of the existing growth potential and to reduce the dependence on individual national markets, STADA is continuing to expand both the number and also possibly the structure of the local sales companies.

In financial year 2009, STADA started its own sales companies in Poland, Bulgaria and Slovakia, partially by introducing already existing export sales into these new sales units. In China, on the other hand, STADA disposed an existing majority interest in a local sales company (see "Business and General Conditions – Acquisitions and Disposals" and "Development of Segments – Information by Region – Asia"). As of March 1, 2010 STADA was operating with 43 sales companies in 30 countries (March 1, 2009: 45 sales companies in 30 countries).

The sales focus continued to be on Europe. There the Group was represented on March 1, 2010 with 38 subsidiaries in 25 national markets. In addition, in Asia, as of March 1, 2010, STADA was active with its own sales companies in China, Kazakhstan, the Philippines, Thailand and Vietnam.

More details on the development of Group activities in the individual national markets can be found under "Development of Segments – Information by Region".

STADA sales structure (as of March 1, 2010)[1]

Europe

Belgium	S.A. Eurogenerics, Brussels S.A. Neocare, Brussels
Bosnia-Herzegovina	Hemofarm Banja Luka d.o.o.[2], Banja Luka (77.87%)
Bulgaria	STADA PHARMA Bulgaria EOOD[2][3], Sofia
Denmark	PharmaCoDane ApS, Copenhagen
Germany	STADApharm GmbH[4], Bad Vilbel STADA GmbH[4], Bad Vilbel ALIUD PHARMA GmbH, Laichingen cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH, Bad Vilbel Hemopharm GmbH Pharmazeutisches Unternehmen[2], Bad Homburg
Finland	Oy STADA Pharma Ab, Helsinki
France	EG Labo SAS - Laboratoires Eurogenerics, Paris
United Kingdom	Genus Pharmaceuticals Ltd., Newbury
Ireland	Clonmel Healthcare Limited, Clonmel
Italy	EG S.p.A., Milan Crinos S.p.A., Milan
Lithuania	UAB STADA-Nizhpharm-Baltiya[3], Vilnius
Macedonia	Hemofarm Komerc d.o.o.[2], Skopje (99.18%)
Montenegro	Hemomont d.o.o.[2], Podgorica (71.02%)
The Netherlands	Centrafarm Pharmaceuticals B.V., Etten-Leur Healthypharm B.V., Etten-Leur Centrafarm B.V., Etten-Leur Neocare B.V., Etten-Leur
Austria	STADA Arzneimittel Gesellschaft m.b.H., Vienna
Poland	STADA PHARMA Poland Sp. z o.o.[2], Warsaw
Portugal	Ciclum Farma, Unipessoal, LDA, Paco de Arcos
Romania	STADA Hemofarm S.R.L.[2], Temisvar
Russia	OAO Nizhpharm[5], Nizhny Novgorod (99.58%) ZAO Makiz-Pharma[5], Moscow ZAO Skopinpharm[5], Ryazanskaya obl. OOO Hemofarm Obninsk[2], Obninsk
Sweden	STADApharm AB[3], Malmö
Serbia	Hemofarm A.D.[6], Vrsac
Slovakia	STADA PHARMA Slovakia s.r.o.[2], Bratislava
Spain	Laboratorio STADA, S.L., Barcelona STADA Consumer Health, S.L.[7], Barcelona
Czech Republic	STADA PHARMA CZ, s.r.o.[2], Prague
Ukraine	Nizhpharm-Ukraine DO, Kiev

Asia

China	STADA Pharmaceuticals (Asia) Ltd., Hong Kong
Kazakhstan	Nizhpharm-Kasachstan TOO DO[8], Almaty
The Philippines	Croma Medic, Inc., Manila
Thailand	STADA Asiatic Company, Ltd., Bangkok (60%)
Vietnam	STADA Vietnam J.V. Co., Ltd., Ho Chi Minh City (50%)

Export

Worldwide	More than 40 countries, among others, through Hemofarm A.D., Vrsac, Serbia

1) All companies with a STADA share of at least 50% have been listed. Unless indicated otherwise, the companies are wholly-owned by the STADA Group.
2) Under responsibility of the Serbian subsidiary Hemofarm.
3) Currently not consolidated.
4) Acting as commission agents on behalf of STADA Arzneimittel AG.
5) Bundled under the umbrella brand STADA CIS (until now without its own operative business structure).
6) Including various local sub-labels.
7) Consolidated as of January 1, 2010.
8) Name of the company has been translated from Cyrillic into English.

Product development

General basis of STADA's development activities

STADA's strategic positioning means that it does not conduct research into new active pharmaceutical ingredients. STADA rather focuses on the development and marketing of products with active ingredients – generally active pharmaceutical ingredients – which are free from commercial property rights, particularly patents.

Therefore, all the development activities pursued by STADA have the objective of achieving market readiness for new or optimized products. In the case of pharmaceuticals this is usually associated with obtaining a national approval from the responsible regulatory authorities in the scope of differentiated, partly supranational approval processes.

In order to drive the Group's organic growth, STADA requires a continuous flow of new product launches every year in the core segment Generics. Therefore, Group development activities are focused on this long-term objective. For example STADA's product development is now already working on the development of generic products with potential launch dates beyond 2016. So in the planning processes, STADA assumes a regulatory preparation time including an approval period for generics with Group-wide relevance of currently at least three years. Against this backdrop those products which STADA wants to launch in this timeframe are generally already in the approval process today.

As a successful product development plays an important role in the success of the Group, the initiative and organization of Group-wide development of relevant products is generally handled centrally. The individual projects are realized under central control either in the Group's own development centers or in the scope of subcontracted development. In addition in some projects the partial or full acquisition of third party dossiers and approvals is possible.

This practice shows that STADA, within the scope of its development activities, relies on an international network of internal and external development partners, and partly – as is usual in this sector – in the context of joint development projects with competitors. In view of this, STADA's long-standing expertise in managing such a network cost-effectively and in terms of the respective commercial property rights in a timely manner has been an essential success factor for the Group.

Within the framework of the Group's development strategy, STADA has continuously been expanding the internal development capacities over the last few years. Therefore the number of in-house developments of strategically relevant and high-sales products is to be increased, in order to avoid the possible alternative of dossier acquisitions and the initial supply commitments often associated with them and therefore to optimize the procurement and production costs of new products in the first few years of marketing.

As far as possible and reasonable under market aspects, STADA uses newly developed products for Group-wide marketing, in particular in the EU. Against this backdrop the Group has the goal of achieving both international and supranational, in particular EU-wide approval procedures, so that numerous national approvals of a product can be achieved in the different EU countries at the same time. Approval procedures outside of the EU should be carried out if possible based on the EU dossier of the corresponding product, so that the Group can always fall back on a standardized formulation. With this international orientation of development activities, STADA also aims at generating economy of scale effects through optimized batch sizes.

In the case of the additional strategic objectives, Group-wide development activities are different for Generics and Branded Products as the two core segments have different sales requirements.

Due to the sales share of Generics of 71% of Group sales and the associated significantly higher importance for the Group, the clear focus of development activities is on this core segment. Against this backdrop, STADA aims, as far as possible, to have developed all internationally sales-relevant strengths and dosage forms of an active pharmaceutical ingredient for the product portfolio as early as possible, in order to make them available to the sales companies on time, including all the required approvals.

With a view on the local patent and approvals situation as well as market strategy, STADA or the local STADA sales company then decides which active pharmaceutical ingredients are to be launched at what time into a national market. As the long-term market success of a generic depends on its time of launch, STADA strives for the introduction of a new generic as soon as possible after the expiration of a patent and/or commercial property right.

Within the framework of a concrete launch date for a generic in a national market, the expertise regarding the commercial property rights that have to be observed becomes very important as their scope and duration can be very different depending on the market. Against this backdrop, STADA management and Group management receive, both from internal and external experts, continuous legal recommendations on the relevance of commercial property rights. Irrespective of this, before and after the product launches of new generics, legal disputes partly filed by initial suppliers occur which in the case of complicated legal matters, can in exceptional cases, contrary to STADA's assessment, also lead to a negative result for STADA.

Development activities for new branded products are oriented towards product and country-specific growth and/or earnings opportunities as well as compatibility with the existing product range and Group structures. Therefore, new product development in this core segment can be better targeted towards individual national markets and have a more flexible time frame than is the case for Generics.

In addition, individual local business units conduct their own development activities for new products that are not significant for the Group.

Besides the clear focus on the development of new products, the Group also continues to pursue development activities in other areas such as:

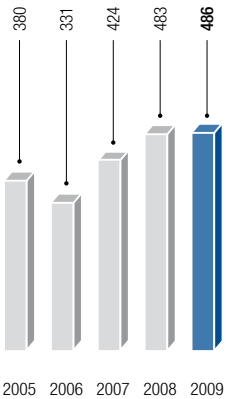
- Expansion of the existing product portfolio through additional dosage forms or strengths
- Internationalization of nationally successful products
- Support of transfer projects in the production area by means of know-how transfer, for example
- Optimization of products already launched in order to reduce cost of sales or achieve better application potentials

In these areas too, individual local business units pursue their own complementary development activities for specific products in their individual national market.

Strong STADA product development

STADA's development and approval strength is evident in the large number of products launched every year. Again in 2009 STADA was very successful with the world-wide launch of 486 products – and this is the highest number in company history – (previous year: 483 products) into individual national markets.

Five-year development:
Number of product launches



The importance of this successful product development is shown in the sales share of 9% in Group sales generated by products which were introduced in the last two years[1)2)] (previous year: 8%).

In the Executive Board's view, STADA's product pipeline continues to remain well-filled. This opinion is shown, among other things, in the fact that the Group was pursuing a total of 1,300 approval procedures for more than 140 active pharmaceutical ingredients for more than 50 countries on December 31, 2009. Therefore STADA should be able to launch numerous new products in the individual national markets also in the future. This applies in particular to generics in the EU markets. But in addition the Group conducts further approval activities also in countries outside of the EU where STADA has its own subsidiaries or is active in the export business.

1) Reporting year and previous year.

2) Without products and sales from acquisitions.

In addition to this high number of successful development projects in the area of classic generics and with selected branded products, the high level of expertise in STADA's product development can also be clearly seen through a few specific projects.

Thus, the development activities of BIOCEUTICALS Arzneimittel AG, a company initiated by STADA and predominantly financed via venture capital whose business activities focus on biosimilar products[1)] and whose development activities are operationally carried out by STADA currently concentrate on Epo-zeta[2)] (see "Earnings Situation – Development of Earnings and Costs – Result from the accounting of shares in associated companies under the equity method"). In addition to studies on pharmacovigilance, an expansion of the existing EU-wide approval for the subcutaneous application in the indication area of nephrology is being strived for; the relevant study was successfully completed in 2009 and given a so-called "positive opinion" by the EMA (European Medicines Agency) in the first quarter of 2010. From today's perspective STADA therefore assumes that in the first half year of 2010 the Epo-zeta approval will be expanded with the strived for additional indication.

The further development of a biosimilar with the ingredient Filgrastim[3)] – also in cooperation and on behalf of BIOCEUTICALS – was suspended until further notice in the financial year 2009; various application opportunities for the development results achieved to date are being investigated.

In the course of the ongoing development activities for the active ingredient Filgrastim, BIOCEUTICALS had obtained protection of patented designs for certain possibilities of stabilizing this active ingredient in liquids, the violation of which through competitive products already distributed in Germany was successfully legally enforced by BIOCEUTICALS. As a result, the defendant competitors reached an agreement with BIOCEUTICALS in the context of an out-of-court settlement providing for, apart from a significant lump sum payment in the second quarter of 2009, further sales-related payments to BIOCEUTICALS in the future as long as the respective property rights are effective.

In addition, in the first quarter of 2009 STADA has begun preparatory work for the development of further biosimilar products from the product category of monoclonal antibodies[4)]. In 2009, costs for this in the amount of € 2.5 million have been accumulated. In this connection, the Company is investigating various financing models, as the development of biosimilar products is connected with significantly higher costs and more risks of failure than is the case for classic generics. From today's perspective, STADA will not commence the development phase of clinical trials for this project which are expected at the earliest in the financial year 2011, if by then no corresponding financing concept including an external partner can be found.

1) A biosimilar is a biopharmaceutical product, i.e. a drug with a protein as biopharmaceutical active ingredient which is produced by genetically modified cell lines which, despite different producing cell lines, compared to an initial supplier product which is already on the market, is so similar that the biosimilar has proven therapeutic equivalence.
2) Erythropoietin-zeta is a biopharmaceutical active ingredient used in nephrology for treatment of renal anaemia for chronic renal insufficiency and in oncology for treatment of chemotherapy-induced anaemia.
3) Filgrastim is a biopharmaceutical active ingredient in protein form which is produced by living cell lines and used, among other things, in the treatment of neutropenia, for example following cytotoxic chemotherapy or bone marrow transplants.
4) The total market potential for selected monoclonal antibodies (Trastuzumab, Rituximab, Infliximab and Cetuximab) is estimated to be approx. € 6.3 billion in Europe in 2015.

Procurement and Production

Global procurement of active ingredients and auxiliary materials

In the areas of procurement and production and due to reasons of flexibility and costs, STADA has normally deliberately chosen not to produce any raw or auxiliary materials required for pharmaceutical production. Instead, the Group is utilizing a worldwide network of raw materials suppliers. In this context, STADA is increasingly – particularly for the procurement of active pharmaceutical ingredients – focusing on low-priced suppliers from low-cost countries, mainly from Asian countries.

However, from the Executive Board's perspective, with the further growth of the Group, it is conceivable as a strategic option in the area of active pharmaceutical ingredients production, to achieve through acquisitions or closer cooperations with capital investment, a closer vertical integration also within the STADA Group than was the case in the past.

Flexibility and continuous cost optimization in pharmaceutical production

In view of the comprehensive product portfolio of over 800 active pharmaceutical ingredients and over 10,000 product packagings marketed by the Group, each different in terms of its active ingredient and/or quantity of the active ingredient and/or dosage form and/or package size, STADA has recourse to a flexible, international network of internal and external resources also in the area of pharmaceutical production[1)]. Here particularly the production facilities acquired and expanded over the last few years in the low-cost countries have made their corresponding contribution.

In the financial year 2009 the Group production network was expanded by one location. On July 10, 2009, STADA concluded – taking advantage of a local opportunity – a contract with the Japanese pharmaceutical company Daiichi Sankyo for the takeover of production facilities for ointments and gels in Pfaffenhofen near Munich with more than 30 employees and an annual production volume of more than 600 tons (see "Business and General Conditions – Acquisitions and Disposals"). Mobilat®, a product for the local treatment of blunt injuries such as contusions or sports injuries whose trademark rights were acquired by various STADA subsidiaries from SANKYO PHARMA group Europe in the scope of a package of eleven European branded products already at the end of 2005, is produced in these facilities, among others.

1) Pharmaceutical production: Conversion of the active pharmaceutical ingredient into a dosage form, e.g. tablet.

As of March 1, 2010 STADA had the following pharmaceutical production facilities:

- Bad Vilbel (Germany)
- Banja Luka (Bosnia-Herzegovina)
- Beijing[1] (China)
- Clonmel (Ireland)
- Dubovac (Serbia)
- Etten-Leur (packaging) (The Netherlands)
- Ho Chi Minh City (two production sites in the greater metropolitan area)[2] (Vietnam)
- Moscow (Russia)
- Nizhny Novgorod (Russia)
- Obninsk (Russia)
- Pfaffenhofen (Germany)
- Podgorica (Montenegro)
- Ryazanskaya obl. (Russia)
- Sabac (Serbia)
- Vrsac (Serbia)

Adequate investments ensure that all Group-owned production facilities are constantly maintained at the level required by legal stipulations and technical production considerations. The Group-wide investment volumes for the expansion and renewal of plants and production facilities in the financial year 2009 amounted to a total of € 24.1 million (previous year: € 10.4 million).

Within the framework of the production strategy, the large production sites in South East Europe, Russia and Vietnam play a special role, as STADA – in view of the continuous cost optimization – is increasingly transferring production activities into these cost effective Group-owned production facilities. Due to the contracts that already exist, however, these are longer-term processes. With a view to the continuous cost optimization in the area of cost of sales, the Group will also continue these comprehensive transfer processes in the future.

Further potential efficiencies should also be achieved with the increasing utilization of the uniform SAP software in the Group. To this end the roll-out of the SAP software which started in the German Group headquarters in 2007 was continued in 2009 and from today's perspective, should be fully completed by 2012.

In addition, in the area of cost of sales and production costs the "STADA – build the future" project introduced Group-wide in 2009 should contribute to strengthening the mid and long-term earnings potential. Here the number, structure and operating responsibility of the different manufacturing sites of the Group are being systematically reviewed with the objective of increasing efficiencies.

1) A production unit which is not integrated and consolidated in the Group, solely aimed at local market demand.

2) Both production sites are operated within the framework of a 50:50 joint venture with a local partner.

It can therefore be assumed that, in addition to a stricter centralization of responsibilities in the production area, the sale or closure of some smaller production facilities can also be an option. The associated objectives here are to reduce the complexity within the production network and to significantly improve the utilization of the remaining plants and so to develop efficiency reserves.

Acquisitions and Disposals

Continuation of the cautious acquisitions policy

In view of the continuing global financial and economic crisis, the Group continued in the financial year 2009 with its cautious acquisition policy with unchanged stringent standards in terms of profitability and appropriateness of the purchase price.

Against this backdrop STADA only made a few acquisitions in 2009. In addition to a small company acquisition to expand the business in Denmark (Dermalog ApS), a product acquisition (branded product EUNOVA Multi-Vitalstoffe Langzeit Kapseln) as well as the takeover of a production facility for ointments and gels in Germany, various shareholdings were increased (in Hemofarm Sabac d.o.o. in Serbia and Cajavec sistemi upravljanja A.D in Bosnia-Herzegovina and the German development company BIOCEUTICALS Arzneimittel AG) (see “Development of Segments – Information by Region”).

In total for these acquisitions the investment volumes were € 17.5 million (investment volumes for aquisitions in previous year: € 41.5 million). This is opposed to a book gain from a disposal of non-core activities in China of an amount of € 2.2 million; in the previous year no book gain from disposals was made (see “Business and General Conditions – Acquisitions and Disposals”).

As a result of the increasing concentration of processes in the industry, the Executive Board continues to see the opportunity, but also the necessity, to complete the Group’s organic growth with additional external growth impulses. Against this backdrop, STADA will, also in the future, pursue an active but at the same time cautious acquisition policy and will continue to apply stringent standards in terms of profitability and appropriateness of the purchase price. Thereby, the Executive Board does not exclude also cooperations with a significant capital investment.

The Executive Board, however, is currently hesitant to further increase the Group’s net financial liabilities in order to finance external growth without, however, excluding taking advantage of special opportunities. For larger projects such as acquisitions or cooperations with capital investments, however, appropriate capital measures continue to be imaginable if the burden on the equity-to-assets ratio from such acquisitions or cooperations is too high.

Acquisition of the Danish company Dermalog ApS

On January 26, 2009 the Danish STADA subsidiary PharmaCoDane ApS, Copenhagen, signed a contract for the acquisition of the Danish company Dermalog ApS, Hotte (see “Development of Segments – Information by Region – Denmark”). The purchase price was € 1.0 million. The sellers were various private individuals. The company’s product portfolio comprises a series of branded products in the skin care area, thus allowing STADA to enter the branded products segment in the Danish health care market. On the takeover date Dermalog had one employee.

Immediately after the acquisition the company was merged with STADA's Danish sales company PharmaCoDane ApS. The business activities of Dermalog have been consolidated into the STADA Group since the start of 2009. The sales contribution of the company in 2009 was € 0.7 million.

Product acquisitions

On November 13, 2009 STADA acquired for sales to be made through the German STADA-subsidiary Hemopharm GmbH Pharmazeutisches Unternehmen, Bad Homburg, the branded product EUNOVA Multi-Vitalstoffe Langzeit Kapseln (see "Development of Segments – Information by Region – Germany"). The seller was the British pharmaceutical company GlaxoSmithKline. The purchase price was € 12.0 million. In 2008, the last full financial year before the takeover, sales generated with this product amounted to € 6.9 million. The product is assigned to the area of nutritional supplements. The sales contribution of the acquired branded product to Group sales in 2009 amounted to € 0.6 million.

On November 18, 2009 the Russian STADA subsidiary OAO Nizhpharm, Nizhny Novgorod, signed a purchasing contract for a package of five Russian branded products with a focus on the gynecology area of indication (see "Development of Segments – Information by Region – Russia"). The sellers were the three companies Cyprus Dipaka Trading Limited, Limassol, OOO Mir-Pharm, Obninsk, and ZAO Obninsk Chemical and Pharmaceutical Company, Obninsk. The price is composed of a basic amount fo approx. € 15 million plus later additional compensation depending on product success in the future. In 2009, the last full financial year before the takeover, sales generated with these products amounted to a total of approx. RUB 290.3 million (approx. € 6.6 million). It is planned that sales responsibility will be assumed in the second quarter of the current financial year 2010.

In the current financial year 2010, on January 15, 2010 the Danish STADA subsidiary, PharmaCoDane ApS, Copenhagen, purchased a portfolio of mainly branded products with a focus on the antibiotics area of indication with eight pharmaceutical active ingredients (see "Development of Segments – Information by Region – Denmark" as well as "Supplementary Report"). The seller was NordMedica A/S, Copenhagen. The purchase price was € 4.8 million. In 2009, sales amounting to approx. € 2.2 million were achieved with these products under the former owners. The acquired product package has contributed to the STADA Group's sales and earnings since January 18, 2010.

Takeover of a production facility for ointments and gels in Germany

On July 10, 2009, STADA completed – taking advantage of a local opportunity – a contract with the Japanese pharmaceutical company Daiichi Sankyo for the takeover of production facilities for ointments and gels in Pfaffenhofen near Munich with more than 30 employees and an annual production volume of more than 600 tons (see "Development of Segments – Information by Region – Germany"). Mobilat®, a product for the local treatment of blunt injuries such as contusions or sports injuries whose trademark rights were acquired by various STADA subsidiaries from

SANKYO PHARMA group Europe in the scope of a package of eleven European branded products already at the end of 2005, is produced in these facilities, among others. The takeover of the production facilities guarantees long-term production capacities for an important Group product and came into effect on January 1, 2010; for reasons of insignificance, however, no Group consolidation was undertaken. The total investment volume amounted to approx. € 0.1 million. For the integration and optimization of the location, costs in the amount of approx. € 1.0 million will additionally be incurred in the financial year 2010.

Share increases in existing majority shareholdings

In the financial year 2009 STADA increased its shares in existing majority shareholdings in Hemofarm Sabac d.o.o., Serbia, and Cajavec sistemi upravljanja A.D., Bosnia-Herzegovina.

STADA thus increased its existing investment in the Serbian pharmaceutical company Hemofarm Sabac d.o.o., Sabac from 96.55% to now 100% (see "Development of Segments – Information by Region – Serbia"). The investment volume here amounted to € 2.8 million.

STADA expanded its existing shareholding in the Bosnia-Herzegovinan Cajavec sistemi upravljanja A.D., Banja Luka, from the previous 96.78% to now 97.7% (see "Development of Segments – Information by Region – Bosnia-Herzegovina"). The investment volume amounted to € 0.1 million. Cajavec sistemi upravljanja currently remains non-operational.

Both companies were fully integrated and consolidated into the STADA Group already before the share increase.

Increased shareholding in BIOCEUTICALS Arzneimittel AG

In the reporting year 2009, STADA increased its shareholdings in BIOCEUTICALS Arzneimittel AG Bad Vilbel, a company initiated by STADA and predominantly financed via venture capital[1)] whose business activities are oriented to so-called biosimilar products[2)] (see "Business and General Conditions – Product Development", "Financial Situation – Development of the Balance Sheet" as well as "Notes IFRS – 6.8.2.").

In 2008 STADA held a 14.99% shareholding in BIOCEUTICALS. With legal validity of a capital increase carried out in 2008, STADA's shareholding in BIOCEUTICALS Arzneimittel AG, initially rose to a total of 15.44% as of February 4, 2009. With a further capital increase in BIOCEUTICALS in the first quarter of 2009, which provided the latter with a cash inflow of € 5.1 million, STADA participated at a disproportionately high level as compared to its previous stake with a capital contribution totaling € 1.5 million. With the legal validity of this capital increase STADA now holds 15.86% of BIOCEUTICALS and accounts for this using the equity method (see "Financial Situation – Development of the Balance Sheet" as well as "Notes IFRS – 2.11. as well as 3.4.").

1) STADA's financial exposure as of December 31, 2009: € 19.3 million payments for equity share, € 36.8 million loans and € 6.0 million capital guarantee drawn.

2) A biosimilar is a biopharmaceutical product, i.e. a drug with a protein as biopharmaceutical active ingredient which is produced by genetically modified cell lines which, despite different producing cell lines, compared to an initial supplier product which is already on the market, is so similar that the biosimilar has proven therapeutic equivalence. The development of biosimilar products is connected with significantly higher costs and risks of default than is the case for classic generics.

Disposals of non-core activities in China

On October 26, 2009 STADA signed a contract for the disposal of non-core activities in China and sold the 51% share in Health Vision Enterprise Ltd., Hong Kong, China, to two companies (see “Development of Segments – Information by Region – China”). Health Vision Enterprise Ltd. is primarily active in the area of commercial business which, as is known, is not part of the Group’s core business. The agreement provides for staggered payments of the purchase price in the total amount of approx. € 4.2 million. In the context of the sale STADA achieved a moderate book profit in the amount of € 2.2 million. Due to lack of material significance Health Vision Enterprise Ltd. was deconsolidated from the Group already as of January 1, 2009.

Employees

The Group's operative alignment is in principle based on the organization of a complex network of internal and external resources, particularly in sales and marketing, product development as well as procurement and production. Against this backdrop, STADA's employees, with their specific expertise, experience and high commitment, contribute significantly to the Group's longstanding success story since they are responsible for managing these complex business processes.

The objective of the Group's personnel management is to develop employees and maintain their loyalty to the Group as well as implementing the necessary personnel changes, in particular personnel recruitment.

Decentralized personnel management

STADA's personnel management is deliberately organized in a decentralized way, allowing the Group to better satisfy the employees' various needs at the different locations. This is especially the case for the international STADA subsidiaries which, by taking into account the company guidelines, can operate to a large extent independently in many areas in personnel policy, such as personnel selection, remuneration policy and qualification measures. However, it remains unchanged that in this context the Group's strategic and operational guidelines, in particular the compliance regulations, are to be observed unconditionally.

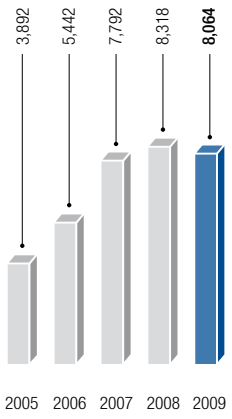
Background information regarding the personnel policy of the Group companies that are located in Bad Vilbel is included in the STADA Group's annual personnel and social report, which is also published annually on the Company website at www.stada.de.

Development of the number of employees

In 2009 the average number of employees in the STADA Group decreased to 8,064 (previous year: 8,318).

Hereby, it must be taken into account here that the average number of employees in the comparison year 2008 was distorted by the restructuring measures in the German generics sales initiated in the fourth quarter of 2007, since the associated reduction of over 200 jobs was only completed in the first quarter of 2008. In addition the 2008 employee numbers still included employees from the British Forum Products division which was deconsolidated on August 31, 2008 and does not form part of the core segments of the STADA Group as well as Health Vision Enterprise which had already been deconsolidated as of January 1, 2009.

STADA's employee development on an annual average



Significant effects of the financial year 2009 on the number of employees can be seen better through a balance sheet date related consideration as of December 31. This shows that the number of employees decreased from 8,299 on December 31, 2008 to 7,981 on December 31, 2009.

The regional breakdown of employee numbers showed in the reporting year for the domestic market Germany average employee numbers of 1,128 (previous year: 1,105 employees). Of these on average 996 employees worked at the Group's headquarters in Bad Vilbel in 2009 (previous year: 957). In STADA's international subsidiaries over the same period an average number of 6,936 people (previous year: 7,213) were under contract.

By breaking down employees according to functional areas, no significant changes resulted in terms of the annual average as compared to the previous year. With regard to the Group's average total number of employees the following percentage shares resulted for the individual functional areas as at December 31, 2009:

- Sales/Marketing 31% (previous year: 32%)
- Production/Procurement 48% (previous year: 46%)
- Product development 6% (previous year: 5%)
- Administration 15% (previous year: 17%)

Personnel structure by national markets and functional areas

Average number of employees in 2009

	Sales/ Marketing	Production/ Procurement	Product development	Administration	2009 Total	Previous year Total
Belgium	112	5	11	17	145	141
Bosnia-Herzegovina	38	101	-	32	171	233
China	8	1	-	5	14	100
Denmark	2	12	-	9	23	23
Germany	367	309	179	273	1,128	1,105
Finland	7	-	-	4	11	12
France	57	8	13	14	92	92
United Kingdom	27	10	16	17	70	76
Ireland	32	215	8	12	267	263
Italy	107	8	4	18	137	128
Kazakhstan	83	-	-	5	88	7
Macedonia	6	-	-	-	6	6
Montenegro	22	119	-	29	170	174
The Netherlands	27	129	6	18	180	176
Austria	27	2	3	6	38	38
The Philippines	81	1	4	27	113	148
Poland	32	-	-	-	32	38
Portugal	33	1	5	7	46	48
Romania	28	-	-	-	28	31
Russia	638	1,123	123	337	2,266	2,432
Serbia	285	1,540	95	343	2,263	2,397
Spain	146	-	8	14	168	184
Thailand	24	-	1	5	30	30
Czech Republic	33	-	-	7	40	36
Ukraine	136	-	-	12	148	24
Vietnam	13	264	15	27	319	298
Rest of world	66	1	-	4	71	78
Total Group	**2,482**	**3,849**	**491**	**1,242**	**8,064**	**8,318**

Personnel expenses

Personnel expenses fell in the financial year 2009 to € 247.2 million (previous year: € 253.0 million). The ratio of personnel expenses to sales thus amounted to 15.8% (previous year: 15.4%).

Responsibility and Sustainability

Overall concept

STADA's motto is "All the Best!". This communicates, among other things that: *"Care for people's health and well-being is at the center of STADA's activities. From this, the Group's philosophy and overall concept are developed."*

STADA commits itself expressly to the comprehensive and sustainable character of its own responsibility as a health care company. The full concept is published on the Company website at www.stada.de and www.stada.com.

STADA's Executive Board works continuously and comprehensively towards that this overall concept and the high responsibility demanded therein, represent a consistent and sustainable maxim for acting for management and all employees in the STADA Group. This is particularly visible in the areas of quality, compliance as well as sustainability and environment.

Quality

Product safety and product quality have always been top priorities for STADA.

In the scope of regular and comprehensive audits, Group Quality Management examines the quality standards established by STADA which in part go clearly beyond the provisions required by law in the Group's own production sites as well as in the facilities of suppliers and contract manufacturers.

In this context the Group strives to secure, also in countries outside of the EU, EU quality standards for drugs which often go beyond local requirements. Thereby, the STADA Group's non-EU-based production sites in Banja Luka, in the greater Ho Chi Minh City area, Nizhny Novgorod, Obninsk, Sabac and Vrsac are already currently, at least partly, designed for the production of individual products for EU countries and have also been approved by the responsible EU supervisory authorities for this after local auditing.

In addition to the legal provisions, STADA partly holds international certifications in accordance with external quality management systems. At numerous production sites the Group, for example, follows not only the GMP standards, but also the relevant ISO standards, holding various ISO certificates at several locations, such as ISO-9001:2008, ISO-14001:2004 and ISO-13485:2007.

Compliance

It is STADA's express goal that all business processes and Group activities be carried out exclusively within the framework of the respective valid laws. Within the scope of the compliance management established at STADA,

which is organized centrally as a function of the Executive Board and responsibility for which is taken decentrally, all employees are trained and instructed regularly in this regard and to an extent which is adapted to their respective area of responsibility.

Beyond that STADA also lives up to – wherever sensible and reasonable from a cost perspective – the excellence claim ("best practice") and continuously reviews and optimizes business processes with respect to this; the Executive Board has its own administrative department "Development of Group Organization" for this.

Social responsibility

In numerous countries STADA supports – usually via the respective national subsidiaries – selected social and cultural projects, partly also with a sponsoring character.

Below are examples of two major projects of this kind which STADA continued to pursue in its home market of Germany in the reporting year 2009 as in previous years:

- The German sales company STADA GmbH and the parent company STADA Arzneimittel AG are a main sponsor of the non-profit association dolphin aid e.V., Düsseldorf. dolphin aid promotes alternative therapies for ill and handicapped children, providing these children with a "dolphin therapy" for this. There, children are closely exposed to dolphins in a nature-oriented environment, thus being able to find an improvement of their individual physical or psychological conditions. With the dolphin aid cooperation STADA deliberately decided in favor of supporting a therapy method that is not based on drugs and also wants to publicly document an understanding of health which is holistic and not exclusively fixed on drugs.

- Already in 2003, STADA Arzneimittel AG established the STADA foundation professorship "health management" in the area of health economics at the Europa Fachhochschule Fresenius (EFF) in Idstein near Frankfurt am Main, Germany, in order to open up new, scientifically founded impulses for the discussion on cost optimization in the health care system. The foundation professorship, whose committed term runs into 2011, is aimed at the promotion of practice-related care research to optimize quality and efficiency in the health care system. One focus is on the development of saving potential of transsectoral supply models which allow for a holistic provision of services by means of complex services.

Sustainability and environment

Already STADA's strategic positioning can be considered distinctly sustainable since Generics – by far the Group's larger core segment – contributes significantly to a more cost-effective health care and thus to a sustainably better utilization of resources in an area of life that is of vital importance for the population.

Within the Group, the responsibility for sustainability, especially also with regard to environmental matters, which STADA feels consciously committed to, is operatively met in a project-related way beyond the legal framework.

Here from the 2009 reporting year the largest single investment in property, plant and equipment in the Group's history, namely the construction of a new laboratory and office building at the Bad Vilbel location, which should be commissioned in May 2010, can be taken as an example.

In connection with this project the responsibility for sustainability and ecological matters is expressed by means of the following concrete measures, among others:

- Consideration of most recent environmental standards, sometimes with no legal obligation, such as use of energy recovery technologies for air conditioning or the use of chromathermal concrete for pile foundations for improved protection of ground water;
- Creation of compensation areas in the form of green spaces, partially through initial planting, through the partial greening of rooftops as well as through participation in the ecology point system in the Wetterau region for the establishment of high-quality green spaces;
- Installation of an own facility for the neutralization of cleaning and laboratory water;
- Heating of the building with the most modern heating technology available in order to minimize consumption of fossil fuels;
- Use of external sun protection in order to reduce the loss of energy and thus also the need for cooling.

Corporate Governance (incl. Remuneration Reports)

Corporate governance structure

STADA Arzneimittel AG is a joint stock corporation under German law and as such has a dual management and monitoring structure consisting of the Executive Board and the Supervisory Board. The third body of the Company is the Annual General Meeting. Furthermore, STADA Arzneimittel AG has an Advisory Board in accordance with its articles of incorporation.

Executive Board

The Executive Board of STADA Arzneimittel AG manages the Company in its own responsibility. The members of the Executive Board jointly assume responsibility for corporate governance. The Executive Board runs the businesses in accordance with the legal requirements, the articles of incorporation and the rules of procedure for the Executive Board and works trustingly together with the Supervisory Board. The Executive Board comprises at least two people according to the articles of incorporation.

The Executive Board is appointed and dismissed exclusively in accordance with legal regulations. The articles of incorporation do not provide special provisions on the appointment or dismissal of individual and all members of the Executive Board. Only the Supervisory Board is responsible for the appointment and dismissal. It appoints members of the Executive Board for a maximum of five years. A repeated appointment or extension of the term is allowed, for a maximum of five years each.

The members of the Executive Board of STADA Arzneimittel AG on the balance sheet date were:

- Hartmut Retzlaff, Chairman of the Executive Board (under contract until August 31, 2011)
- Christof Schumann, Chief Production & Development Officer (under contract until December 31, 2010)

In financial year 2009 the Chief Financial Officer Wolfgang Jeblonski left the Executive Board. The Supervisory Board of STADA Arzneimittel AG and Wolfgang Jeblonski, agreed on August 12, 2009 that Wolfgang Jeblonski would leave the Executive Board of STADA Arzneimittel AG with immediate effect by mutual agreement and with the thanks of the Executive Board and Supervisory Board for his many years of successful service to the Group.

The remaining Executive Board members assumed the tasks of Wolfgang Jeblonski. Christof Schumann was also responsible for Procurement until February 15, 2010 and also headed the Logistics area until February 28, 2010. Hartmut Retzlaff was temporarily also responsible until December 31, 2009 for the area of Finance and, until February 15, 2010, for the area of Information Technology (IT). Since March 1, 2010, Hartmut Retzlaff has also assumed responsibility for the Logistics area from Christof Schumann.

On October 29, 2009 STADA published that Helmut Kraft will become the new Chief Financial Officer of STADA Arzneimittel AG. The Supervisory Board appointed Helmut Kraft on January 1, 2010 for a period of three years. On January 1, 2010 Helmut Kraft assumed his activities as Chief Financial Officer. In addition to the area of Finance Helmut Kraft is also responsible for the areas of Procurement and IT since February 15, 2010.

There were no loans outstanding to members of the Executive Board as of the balance sheet date.

Supervisory Board

In accordance with the provisions of the One-Third Participation Act, the Supervisory Board of STADA Arzneimittel AG is comprised of nine members of which six are representatives of the shareholders and three represent the employees. The members representing the shareholders are elected by the Annual General Meeting and the employee representatives are elected by the employees.

The Supervisory Board appoints the Executive Board members and monitors and advises the Executive Board in the running of its business operations. Through a regular dialog with the Executive Board, the Supervisory Board is informed of the business development, strategy and company planning. It agrees the company planning and approves the financial statements of STADA Arzneimittel AG and the STADA Group taking into consideration the auditor's report.

The members of the Supervisory Board on the balance sheet date were:

- Dr. Martin Abend, Attorney, Dresden (Chairman)
- Manfred Krüger, Member of Worker's Council released from duty, Mühlheim am Main (Deputy Chairman) (Employee Representative)
- Dr. Eckhard Brüggemann, Doctor (retired), Herne
- Heike Ebert, Head of Packaging, Niddatal (Employee Representative)
- Dr. K. F. Arnold Hertzsch, Self-employed pharmacist, Dresden
- Dieter Koch, Pharmacist, Kiel
- Constantin Meyer, Self-employed pharmacist, Seelze
- Carl Ferdinand Oetker, Banker, Düsseldorf
- Karin Schöpper, Head of Market Research, Bad Vilbel (Employee Representative)

With the completion of STADA's Annual General Meeting on June 10, 2009, there were – as a result of a regular new election in May this year – changes in the employee representatives on STADA's Supervisory Board. The employee representatives on STADA's Supervisory Board are now unchanged Heike Ebert as well as newly elected members Karin Schöpper and Manfred Krüger. At the same time, Karl Hertle and Adolf Zissel left the Supervisory Board; before his departure, Karl Hertle had been Deputy Chairman of the Supervisory Board. Manfred Krüger was elected the new Deputy Chairman of the Supervisory Board of STADA Arzneimittel AG in a Supervisory Board meeting held directly after the Annual General Meeting.

On August 24, 2009 the STADA Supervisory Board elected Dr. Martin Abend as the new Chairman of the Supervisory Board.

The previous Chairman of STADA's Supervisory Board Dr. Eckhard Brüggemann had before resigned from his position as Chairman of the Supervisory Board; he, however, remains a member of the board. In addition, the member of the Supervisory Board Uwe E. Flach had resigned from the Supervisory Board as of September 24, 2009, after the one-month period stipulated by the Company's articles of incorporation.

With effect from November 13, 2009, the District Court of Frankfurt am Main has, based on a joint proposal of the Supervisory Board and Executive Board, appointed Carl Ferdinand Oetker as new member of the Supervisory Board of STADA Arzneimittel AG. The period in office for the replacement member Oetker is limited to the time until the end of the Annual General Meeting on June 8, 2010 at which, in accordance with Section 12 (3) of the Company's articles of incorporation, an election is to take place.

The term of all other Shareholders' Supervisory Board members ends with the completion of the Annual General Meeting 2013.

The Supervisory Board has established rules of procedure. In accordance with this the following Supervisory Board committees have been formed as of the balance sheet date:

- Audit Committee

  The Audit Committee is composed of two members from the shareholders and one from the employees. The Audit Committee deals in particular with questions of accounting, risk management, compliance, the required independence of the auditor, the award of the audit contract to the auditor, the determination of the main areas for the audit and with the fees agreement. In addition, it explains the annual and interim reports to the Executive Board prior to their publication.

  On the balance sheet date the Audit Committee was comprised of the following members: Dr. Martin Abend, Carl Ferdinand Oetker (Chairman) and Karin Schöpper.

- Human Resources Committee

  The Human Resources Committee is composed of two members from the shareholders and one from the employees. The Chairman of the Supervisory Board is also the Chairman of the Human Resources Committee. The Human Resources Committee prepares the personnel decisions from the Supervisory Board and ensures together with the Executive Board that long-term succession planning takes place. Furthermore, it deals with the strategic issues of the Group.

  On the balance sheet date the Human Resources Committee was comprised of the following members: Dr. Martin Abend (Chairman), Manfred Krüger, Dieter Koch.

The Supervisory Board regularly reviews the efficiency of its activities. The subject of the efficiency review are, in addition to the qualitative criteria to be established by the Supervisory Board, in particular the procedural flows in the Supervisory Board and the information flow between the committees and the plenary as well as the prompt and sufficient information provision of the Supervisory Board.

There were no loans outstanding to members of the Supervisory Board as of the balance sheet date.

Annual General Meeting and shareholders

The shareholders[1)] assume their rights in the Annual General Meeting and exercise their voting rights. Every STADA Arzneimittel AG share[2)] has one vote. Shareholders have the option to exercise their voting right themselves in the Annual General Meeting or to have their voting right exercised by an authorized representative of their choice or by a voting representative from the Company, but bound by instructions. Every shareholder is entitled to participate in the Annual General Meeting, to speak on individual agenda items there and to request information about Company issues, if this is required for the appropriate assessment for an item on the agenda.

The Annual General Meeting passes resolutions, among other things, on the allocation of profits, the discharge of the Executive Board and Supervisory Board, the election of the auditor as well as any changes to the articles of incorporation and capital-changing measures.

Advisory Board

Members of the Advisory Board of STADA Arzneimittel AG are appointed by the Chairman of the Supervisory Board on the proposal of the Executive Board and the Supervisory Board. According to the Company's articles of incorporation, the duty of the Advisory Board is to support and advise the Executive and Supervisory Boards. Furthermore members of the Advisory Board are available to act as proxy for shareholders who do not wish to exercise their voting rights in person at the Annual General Meeting. The Advisory Board had 13 members on the balance sheet date.

Transparent corporate governance

In order to ensure transparent corporate governance STADA informs shareholders, financial analysts, other capital market participants, the media and the interested public regularly and promptly about the situation of the company and about any significant business changes.

1) For capital and shareholder structure see "Capital Structure and STADA Share".

2) Under the Company's articles of incorporation, STADA's registered shares with restricted transferability can only be transferred in the share register with the consent of the Company and, pursuant to the statutes, grant one vote each in the Annual General Meeting. Shareholders are only those who are registered as such in the share registry and only such persons are authorized to participate in the Annual General Meeting and to exercise voting rights. No shareholder and no shareholder group shall have any special rights.

The reporting about the situation and results of STADA Arzneimittel AG and the STADA Group is delivered through the Annual Report, the interim reports and at press and analysts' conferences which can generally be followed live and for some time as a recording on the STADA website. Furthermore, Company information is published in ad hoc releases and press releases. Current presentations for capital markets are published on the Company website.

The consolidated financial statements are made available within 90 days after the financial year end and the interim financial statements within 45 days after the end of the reporting period.

Through a comprehensive Internet presence (www.stada.de and in English www.stada.com), STADA meets the legal requirements for simultaneous and equivalent information to all market participants about relevant Company events. On the STADA website all interested individuals can find both compulsory information such as ad hoc releases and annual or interim reports and comprehensive Company and share information such as Company profile, presentations and current share price information on STADA (including peer group comparisons).

The provisions of the German Corporate Governance Code are continuously fulfilled, with a few explained exceptions only (see annual Declaration of Compliance with the Corporate Governance Code, published on the Company's website at www.stada.de and www.stada.com and in this Annual Report under "Additional Information – Declaration of Compliance").

The Declaration of Corporate Governance is to be issued within the scope of the individual financial statements of STADA Arzneimittel AG; there, use is made of the possibility to refer to the Declaration published on STADA's website at www.stada.de and www.stada.com.

Again in 2009 STADA participated in numerous external corporate presentations and conferences for institutional investors in relevant European and US-American capital markets. The presentations shown there generally correspond to the Company presentations published on the Company website, which are each regularly updated. The dates of these events are published by STADA retrospectively on the Company website.

Remuneration Report as at December 31, 2009

The Remuneration Report presents the remuneration systematic as well as the individual remuneration for the Executive Board and the Supervisory Board of STADA Arzneimittel AG. The balance sheet date for this Remuneration Report is December 31, 2009.

Principles of the Executive Board's remuneration system

Each Executive Board member receives remuneration, which, in view of the tasks, the personal performance, the Executive Board's overall performance, the economic situation, the Company's success and future prospects, also in consideration of the comparative environment, is individually deemed appropriate by the Supervisory Board.

Overall remuneration includes monetary remuneration parts as well as non-monetary remuneration parts, which include pension agreements, in particular.

The respective monetary remuneration includes fixed components and variable components, which are dependent on the Company's current success in the reporting year. The amount as well as the breakdown of fixed and variable components of remuneration depends on the individual provisions of the employment contract of each member of the Executive Board.

As of the balance sheet date, there was neither a stock option plan nor other instruments with a long-term incentive effect in place for Executive Board members.

In line with new legal requirements from the Law for the Appropriateness of Executive Board Remuneration (VorstAG), particularly Sections 87 and 93 of the German Stock Corporation Act (AktG), the Supervisory Board has informed the Executive Board that it is pursuing fundamental changes in the remuneration system for Executive Board members. In the modified remuneration structure, the variable Executive Board remuneration should be oriented toward short, middle and long-term goal parameters which relate to the respective areas of responsibility of the individual Executive Board member; at the same time, an upper-limit is to be set for variable income.

The Executive Board contract for the new Chief Financial Officer Helmut Kraft, which took effect on January 1, 2010, already complies with the modified remuneration structure.

Monetary remuneration of the Executive Board

In 2009, total monetary remuneration for current members of the Executive Board was € 4,159,858.64 within STADA Arzneimittel AG and € 4,236,405.64 within the Group.

This total monetary remuneration as at the balance sheet date paid to current members of the Executive Board in the financial year 2009 can be broken down as follows:

- Hartmut Retzlaff: € 2,770,285.35 (thereof € 1,373,304.20 fixed and € 1,396,981.15 variable)
- Christof Schumann: € 1,466,120.29 (thereof € 762,379.72 fixed and € 703,740.57 variable)

In 2009, total monetary remuneration for former members of the Executive Board was € 1,255,978.82 within STADA Arzneimittel AG and € 1,272,059.30 within the Group.

Of this total monetary remuneration paid to former members of the Executive Board in 2009 € 993,357.78 was paid to Wolfgang Jeblonski who left the Executive Board in financial year 2009 (Executive Board member until August 12, 2009) for the period January 1, 2009 to August 12, 2009 (thereof € 551,857.78 fixed and € 441,500.00 variable).

In the financial year 2009 severance compensation for former Executive Board member Wolfgang Jeblonski, who left in 2009, in the amount of € 2,027,917.51 was incurred.

Non-monetary remuneration of the Executive Board

In addition to monetary remuneration, the Company grants pension agreements to the Chairman of the Executive Board, Hartmut Retzlaff. The pension agreements contain/contained commitments to an annual pension, which, depending on the duration of the Executive Board position, is calculated as a percentage of the basic remuneration. A percentage of the variable remuneration, which was granted during the last five years before the beginning of pension payments, is also taken into consideration. Payments from the pension commitments generally begin on request as pension payments after completion of the current Executive Board contract to the extent that it is not renewed or as disability pension if employment ends before this due to an inability to work. Expenses for the pension commitments of the Executive Board earned in financial year 2009 thus amount to € 693,942.00.

Current pension provisions for former Executive Board members in financial year 2009 amounted to € 4,065,800.00.

Commitments to Executive Board members in the case of termination of their activity

For the Chairman of the Executive Board, Hartmut Retzlaff, a supplementary agreement to the employment contract contains a severance pay regulation for the case that the Executive Board contract, as a result of a closely defined change of control within the context of a takeover, is terminated. The severance payment consists of a one-time payment of an amount equal to five times gross annual income in the last full year prior to the takeover, including bonus paid-out. In addition, the Chairman of the Executive Board receives remuneration including the bonus as

agreed in the his employment contract for the entire term of the contract. The bonus is calculated based on the average of the previous two bonuses paid prior to the termination of the contract.

The contract of Executive Board Member Christof Schumann contains a provision for the full payment of all remuneration intended for the contract term as well as for the payment of a transitional allowance. If Christof Schumann is removed as a member of the Executive Board before the end of the period of appointment, all entitlements to remuneration which were agreed on under the Executive Board contract for the period of appointment remain unaffected. If the Executive Board mandate of Christof Schumann ends before his reaching the age of 65 years, either because he is removed early or because he is not reappointed, Christof Schumann will receive a one-time transitional allowance in the amount of a fixed annual remuneration plus half of the previous year's bonus.

Benefits from third parties outside the Group, which were promised or granted to members of the Executive Board in the financial year with regard to their position in the Executive Board

To the Company's knowledge, no benefits from third parties outside the Group were promised or granted to appointed Executive Board members in financial year 2009 with regard to their position in the Executive Board in the financial year.

Remuneration system of the Supervisory Board according to the articles of incorporation

The remuneration system of the Supervisory Board is as follows pursuant to Section 18 of STADA Arzneimittel AG's articles of incorporation:

For the relevant financial year, in addition to reimbursement of expenses, Supervisory Board members receive:

- an annual fixed sum of € 25,000
- an additional remuneration in the amount of 0.03% of Group earnings before taxes

The Chairman of the Supervisory Board receives triple this amount and his deputy twice the amount. Value added tax must be paid on the remuneration.

Supervisory Board members receive an annual fixed remuneration of € 10,000 for their committee activities for the past financial year. The Chairman of a committee receives twice this amount in remuneration. Value added tax must be paid on the remuneration.

Remuneration of the Supervisory Board

In the financial year 2009, remuneration of appointed Supervisory Board members totaled € 870,922.60.

Remuneration of the appointed Supervisory Board members can be broken down as follows:

- Dr. Martin Abend € 127,806.63 (thereof € 55,623.29 fixed and € 72,183.34 variable)
- Manfred Krüger € 78,463.28 (thereof € 31,284.63 fixed and € 47,178.65 variable) (member of the Supervisory Board since June 10, 2009)
- Dr. Eckhard Brüggemann € 174,639.23 (thereof € 76,979.41 fixed and € 97,659.82 variable)
- Heike Ebert € 67,460.79 (thereof € 25,000.00 fixed and € 42,460.79 variable)
- Uwe E. Flach € 68,979.24 (thereof € 37,841.33 fixed and € 31,137.91 variable) (member of the Supervisory Board until September 24, 2009)
- Karl Hertle € 67,452.96 (thereof € 29,710.04 fixed and € 37,742.92 variable) (member of the Supervisory Board until June 10, 2009)
- Dr. K. F. Arnold Hertzsch € 67,460.79 (thereof € 25,000.00 fixed and € 42,460.79 variable)
- Dieter Koch € 70,967.64 (thereof € 28,506.85 fixed and € 42,460.79 variable)
- Constantin Meyer € 67,460.79 (thereof € 25,000.00 fixed and € 42,460.79 variable)
- Carl Ferdinand Oetker € 9,958.06 (thereof € 4,414.57 fixed and € 5,543.49 variable) (member of the Supervisory Board since November 13, 2009)
- Karin Schöpper € 40,985.06 (thereof € 17,395.73 fixed and € 23,589.33 variable) (member of the Supervisory Board since June 10, 2009)
- Adolf Zissel € 29,288.13 (thereof € 10,416.67 fixed and € 18,871.46 variable) (member of the Supervisory Board until June 10, 2009)

Beyond this remuneration no additional monies or benefits have been granted to members of the Supervisory Board for personally rendered services, in particular for consulting or mediation services, other than in the following case: Supervisory Board member Constantin Meyer received royalty payments in the amount of € 40,008.00.

Capital Structure and STADA Share

Capital structure as of the balance sheet date

As of December 31, 2009, subscribed share capital of STADA Arzneimittel AG was at an amount of € 153,009,532 (December 31, 2008: € 152,775,532) consisting of 58,849,820[1)] registered shares with restricted transferability[2)] each with an arithmetical share in share capital of € 2.60 (December 31, 2008: 58,759,820 registered shares). Changes from the previous year resulted from the exercising of 4,500 warrants 2000/2015[3)] in the fourth quarter of 2009. Thus, as of December 31, 2009, 177,020 warrants 2000/2015 for the subscription of 3,540,400 STADA registered shares were still outstanding.

In the first quarter of the current financial year 2010, another ten warrants were exercised prior to the preparation of the financial statements by the Executive Board on March 12, 2010. The number of shares has thereby risen by 200 to 58,850,020 and share capital increased by € 520 to € 153,010,052. Therefore, as of March 12, 2010, 177,010 warrants 2000/2015 for the subscription of 3,540,200 STADA registered shares are still outstanding.

Equity structure of STADA Arzneimittel AG	Dec. 31, 2009	Dec. 31, 2008
Number of registered shares with restricted transferability	58,849,820	58,759,820
Number of outstanding warrants 2000/2015[3)]	177,020	181,520
Number of potential shares from warrants 2000/2015[3)]	3,540,400	3,630,400

Renewed resolution on authorization for the purchase and sale of new shares

Due to the resolution adopted at the Annual General Meeting on June 10, 2008, the Company, based on Section 71 (1) no. 8 of the German Stock Corporation Act (AktG), was authorized to buy own shares of up to 10% of the share capital existing at the time the resolution was adopted. The Annual General Meeting decided on June 10, 2009, to replace this authorization by a new resolution, valid for 18 months, i.e. until December 10, 2010. Details concerning this matter are published on the Company's website at www.stada.de and www.stada.com.

Highly volatile share price development

STADA share codes	
Identification number:	ISIN: DE0007251803, WKN: 725180
Ticker symbol:	Reuters: STAGn.DE, Bloomberg: SAZ:GR

Also as a result of the continuing global financial and economic crisis, the development of the STADA share in 2009 was very volatile and occasionally strongly decreasing. However, as from the second quarter of 2009, the STADA share could increase in value. The STADA share closed at € 12.32 on March 31, 2009, was listed at € 17.81 on June 30, 2009 and reached € 18.68 on September 30, 2009. At year-end 2009 it was listed at € 24.20, while the

1) After deducting treasury shares, 58,746,265 registered shares are entitled to vote.
2) Under the Company's articles of incorporation, STADA's registered shares with restricted transferability can only be transferred in the share register with the consent of the Company and, pursuant to the statutes, grant one vote each in the Annual General Meeting. Shareholders are only those who are registered as such in the share registry and only such persons are authorized to participate in the Annual General Meeting and to exercise voting rights. No shareholder and no shareholder group shall have any special rights.
3) The legally binding option terms and conditions are published on the Company website under www.stada.de and www.stada.com.

2008 year-end price was € 20.50. Thus, the STADA share increased by 18% in the course of 2009. As regards the year's lowest price of € 10.11 on March 6, 2009, the share price recovered by year end 2009 by 139%.

The development of the STADA share was – with continued marked volatility – generally positive until March 11, 2010, the last trading day before the preparation of the consolidated financial statements. The closing price on XETRA® on March 11, 2010 of € 28.61 was 18% above the XETRA® closing price at the end of 2009.

The most important national comparative indices for STADA showed percentage-rate differences in their share price rises during the course of 2009. By comparing the last trading day of 2009 with the one in 2008, the German benchmark index DAX®[1)] was 24% higher. The MDAX®[2)], of which the STADA share is part, recorded an increase of 34% in the same period (respectively XETRA®[3)] closing prices). The Bloomberg Pharmaceutical Index[4)] increased in 2009 by 12% in comparison with year end 2008.

STADA's market capitalization at year end 2009 was € 1.424 billion. At the previous year end it had been € 1.205 billion. Based on Deutsche Börse AG's index system, which only considers free float, STADA, in terms of market capitalization, occupied position 15 in the MDAX® in 2009. In the previous year STADA was ranked 10th.

The trading volume of the STADA share at the XETRA® trading and the Frankfurt Stock Exchange totaled an average of € 10.4 million per day in 2009. In 2008 the average daily transaction volume was € 27.4 million. Thus in trading volume based on Deutsche Börse AG's index system in 2009, STADA occupied position 9. In the previous year STADA was ranked 7th.

STADA key share data	2009	Previous year
Number of shares (year-end)	58,849,820	58,759,820
Number of treasury shares (year-end)	103,555	109,659
Resulting number of voting shares (year-end)	58,746,265	58,650,161
Average number of shares (without treasury shares)	58,662,392	58,632,021
Year-end closing price (XETRA®) in €	24.20	20.50
High (XETRA® closing price) in €	26.36	48.38
Low (XETRA® closing price) in €	10.11	18.32
Market capitalization (XETRA®) in € million (year-end)	1,424.2	1,204.6
Basic earnings per share in €	1.71	1.30
Diluted earnings per share in €	1.70	1.28
Dividend per share in €	0.55[5)]	0.52

1) DAX® is the index of Deutsche Börse AG, largely consisting of the 30 biggest companies by market capitalization and order book volume.
2) MDAX® the index of Deutsche Börse AG for midcap companies, largely consisting of the 50 next-biggest companies by market capitalization and order book volume below the DAX®, thus also including the STADA share.
3) XETRA® is the electronic trading system of Deutsche Börse AG.
4) The Bloomberg Europe Pharmaceutical Index is a market capitalization-weighted index of all companies involved in the pharmaceutical sector of the Bloomberg Europe 500 Index and it also comprises the STADA share.
5) Proposed.

Continuing broadly based shareholder structure

As of the balance sheet date on December 31, 2009, a total of approx. 46,000 shareholders held share capital of STADA Arzneimittel AG. Based on results of regularly carried out analyses of STADA's shareholder structure, STADA assumes that at least approx. 55% of STADA's shares are held by institutional investors and that approx. 14% of STADA's capital is held by pharmacists and doctors.

In 2009, STADA did not purchase any treasury shares and sold – exclusively as part of the employee stock ownership program – 6,104 treasury shares at an average price of € 14.73. As of December 31, 2009, 103,555 treasury shares were held by STADA, compared to 109,659 treasury shares which the Company had held as of December 31, 2008.

On December 31, 2009 STADA therefore assumes, considering the announcements on exceeding or falling below reporting thresholds available to the Company, according to Section 21 (1) of the German Securities Trading Act (WpHG) (see "Notes IFRS – 6.4.1.") that only SKAGEN AS, Stavanger, Norway, holds a stake that exceeds the legal reporting threshold of 3%.[1)] Therefore according to the regulations of Deutsche Börse AG, the free float of STADA Arzneimittel AG remains unchanged at 100%.

In the first quarter of 2010, in accordance with Section 21 (1) of the German Securities Trading Act (WpHG) no announcement on falling below or exceeding one of the thresholds of shareholdings in STADA Arzneimittel AG had been made up to the adoption of the consolidated financial statements by the Executive Board on March 12, 2010.

1) See the disclosure of August 11, 2009.

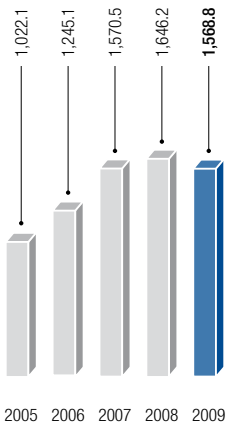
EARNINGS SITUATION

Development of Sales

Planned sales development in a difficult environment

In financial year 2009, against the backdrop of the difficult framework conditions in individual national markets (see "Development of Segments – Information by Region") as well as the continuing global financial and economic crisis, **Group sales** decreased as expected by 5% to € 1,568.8 million (previous year: € 1,646.2 million).

Group sales in € million over 5 years



Adjusted Group sales on the other hand increased in the reporting year by 4%. These adjustments are carried out in order to better compare sales development with the figures from the corresponding period of the previous year and to neutralize the following influences distorting the period comparison:

- Influence on sales due to changes in the Group portfolio

  In the financial year 2009, changes in the Group portfolio as compared to the previous year resulted due to disposals made since then and business activities sold and discontinued as well as acquisitions of products or companies.

  The disposals and business activities sold and discontinued specifically relate to:

  – Disposals of low-margin non-core activities of Forum Products (division of the British Forum Bioscience group), deconsolidated since August 31, 2008, sales contribution Jan. 1 – Aug. 31, 2008: € 48.6 million
  – Disposal of the 51% business share of the Chinese Health Vision Enterprise Ltd. (deconsolidated since Jan. 1, 2009), sales contribution Jan. 1 – Dec. 31, 2008: € 4.7 million
  – Disposal of the Italian Defibrotide products, sales contribution Jan. 1 – Dec. 31, 2008: € 4.1 million
  – Discontinuation of the Dutch commercial business, sales contribution Jan. 1 – Dec. 31, 2008: € 1.9 million
  – Turnover from the sale of approvals in Italy in financial year 2008 in the amount of € 8.7 million.

Overall, disposals made since then and/or sold and discontinued business activities during 2008 still contributed a total of € 67.9 million to sales at that time. The lack of these sales in the financial year of 2009 thus had a curbing effect on growth of 4 percentage points as compared to the previous year.

From only small acquisitions of products and companies in the past twelve months in view of the current cautious acquisition policy, STADA achieved sales totaling € 8.2 million in the reporting year. These specifically relate to (see "Business and General Conditions – Acquisitions and Disposals"):

– Acquisition of the Italian branded product Keritrina® as of November 14, 2008; sales contribution January 1 – November 13, 2009: € 2.6 million.
– Acquisition of the Italian branded product Keraflox® as of December 17, 2008; (no sales contribution in 2008), sales contribution January 1 – December 16, 2009: € 4.3 million.
– Acquisition of the Danish Dermalog on January 26, 2009 and subsequently initiated merger with the Danish STADA subsidiary PharmaCoDane, sales contribution Jan. 1 – Dec. 31, 2009: € 0.7 million.
– Acquisition of EUNOVA Multi-Vitalstoffe Langzeit Kapseln on November 13, 2009, sales contribution December 1 – December 31, 2009: € 0.6 million.

In financial year 2009 these acquired sales thereby had a share of 0.5 percentage points in Group sales.

Offsetting these changes in the Group portfolio against each other thus curbed sales development in 2009 by 4 percentage points.

- Influence on sales due to currency effects

As compared to the corresponding period of the previous year, sales development in the financial year 2009 was significantly burdened by currency effects, since the currency relations of the significant foreign currencies for STADA, particularly the Russian ruble[1)], the Serbian dinar[2)] and the pound sterling[3)] to the euro were more unfavorable than in 2008. Negative translation effects led to a sales burden of 5 percentage points in 2009 as compared to previous year.[4)]

Overall, changes in the Group portfolio as well as currency effects in financial year 2009 resulted in a sales burden of 9 percentage points as compared to the previous year. To the extent that adjusted sales figures are reported in the following, the sales adjustments carried out include these effects in total.[5)]

1) Currency relation Russian ruble/euro 2009 vs. 2008: January – December average exchange rate -17%.
2) Currency relation Serbian dinar/euro 2009 vs. 2008: January – December average exchange rate -13%.
3) Currency relation pound sterling/euro 2009 vs. 2008: January – December average exchange rate -10%.
4) In calculating all sales translations from local currency to the Group currency euro respectively with the same exchange rate relations from the previous year.
5) The adjusted sales figures are pro forma key figures which are solely aimed at a more transparent year-on-year comparison.

Scheme for calculating the Group's adjusted sales growth

Previous year 2008		Reporting year 2009
STADA Group sales € 1,646.2 million	— -5% —>	STADA Group sales € 1,568.8 million
⁄. Remaining sales of Defibrotide products Jan. 1 – Dec. 31, 2008		⁄. Sales Dermalog (as part of PharmaCoDane) Jan. 1 – Dec. 31, 2009
⁄. Sales Health Vision Enterprise Ltd. Jan. 1 – Dec 31, 2008 due to deconsolidation as of Jan. 1, 2009 and sale as of Oct. 26, 2009		⁄. Sales Keritrina® product Jan. 1 – Nov. 13, 2009
⁄. Sales Dutch commercial business Jan. 1 – Dec. 31, 2008		⁄. Sales Keraflox® product Jan. 1 – Dec. 16, 2009
⁄. Sales Forum Products division Jan. 1 – Aug. 31, 2008		⁄. Sales EUNOVA Multi-Vitalstoffe Langzeit Kapseln Dec. 1 – Dec. 31, 2009
⁄. Turnover from the sale of approvals in Italy		± Sales change by applying the same, i.e. the previous year's exchange rates for both financial years
Base value for adjusted sales growth € 1,578.2 million.	— +4% —>	Adjusted STADA Group sales € 1,641.3 million

The difficult environment in which the Group had to operate in financial year 2009 can also be seen from the extent of price erosion. In principle, STADA has to take price erosion into account in its own planning activities in every financial year, as in the business model in the larger core segment of Generics, price is one of the most important product arguments. In 2009 price erosion, i.e. the resulting arithmetic percentage difference in sales with an assessment of units sold in the reporting year with the list prices of the previous year before revenue reductions (such as discounts) – was once again 5% as in the previous year.

Also against this backdrop the Executive Board came to the assessment that the sales development 2009 can overall be assessed as good, as adjusted sales have again increased despite the difficult framework conditions.

Development of international sales

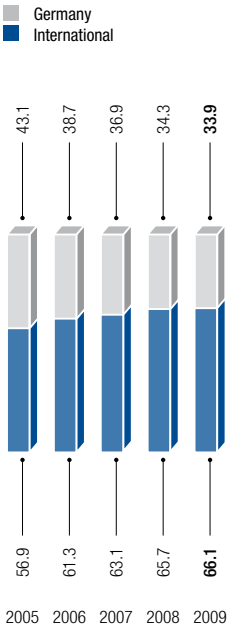
In **Europe** sales of the STADA Group in 2009 decreased by 6% as planned to € 1,501.0 million (previous year: € 1,590.6 million) (see "Development of Segments – Information by Region"). The sales share generated by STADA in Europe thus amounted to 95.7% (previous year: 96.6%) of Group sales. Adjusted, however, Group sales in Europe grew by 3%.

In **Western Europe** STADA recorded a sales decrease in the reporting year of 6% to € 1,108.1 million (previous year: € 1,182.6 million) – largely due to the disposal of non-core business activities in the United Kingdom (see "Development of Segments – Information by Region – United Kingdom") and the sales decrease in the German market (see "Development of Segments – Information by Region – Germany"). STADA's Western European sales thus contributed 70.6% to Group sales (previous year: 71.8%). STADA's adjusted sales in Western European markets decreased by 1%.

In **Eastern Europe**[1] sales decreased by 4% to € 392.9 million (previous year: € 408.0 million) – primarily due to currency influences. STADA's Eastern European sales share thus amounted to 25.0% of Group sales (previous year: 24.8%). However, adjusted Group sales in Eastern Europe increased by 13%.

In **Asia**, in the financial year 2009, STADA recorded a sales decrease of 3% to € 45.9 million (previous year: € 47.2 million) – also primarily due to currency influences as well as the deconsolidation of Health Vision on January 1, 2009 (see "Development of Segments – Information by Region – Asia"). Sales in the Asian markets thus contributed 2.9% (previous year: 2.9%) to Group sales. STADA's adjusted sales in Asia increased by 18%.

Sales share Germany vs. international sales in % of Group sales



Sales in **America** went up by 155% in 2009 to € 14.5 million (previous year: € 5.7 million) and had a share in Group sales of 0.9% (previous year: 0.3%). The increase in Group business in America in the reporting year is as planned attributable to the increased export activities of the Serbian subsidiary after obtaining US approval for the product Lemod-Solu®[2] in the fourth quarter of 2008 as well as to stronger export sales from the Irish production unit. STADA's adjusted sales in American markets increased by 203%.

Group sales in the **rest of the world** rose in the reporting year by 170% to € 7.4 million (previous year: € 2.7 million). Sales in the rest of the world thus had a share of 0.5% in Group sales (previous year: 0.2%). Here, adjusted sales growth of the Group amounted to 198%.

The sales development in national markets significant for STADA is described in more detail in the context of the reporting on regional developments (see "Development of Segments – Information by Region").

1) So-called CEE countries (Central and Eastern Europe) including Russia.

2) Lemod-Solu® is an injectable Methylprednisolon (Methylprednisolon: active ingredient from the substance class of corticoids for the emergency treatment of infectious diseases).

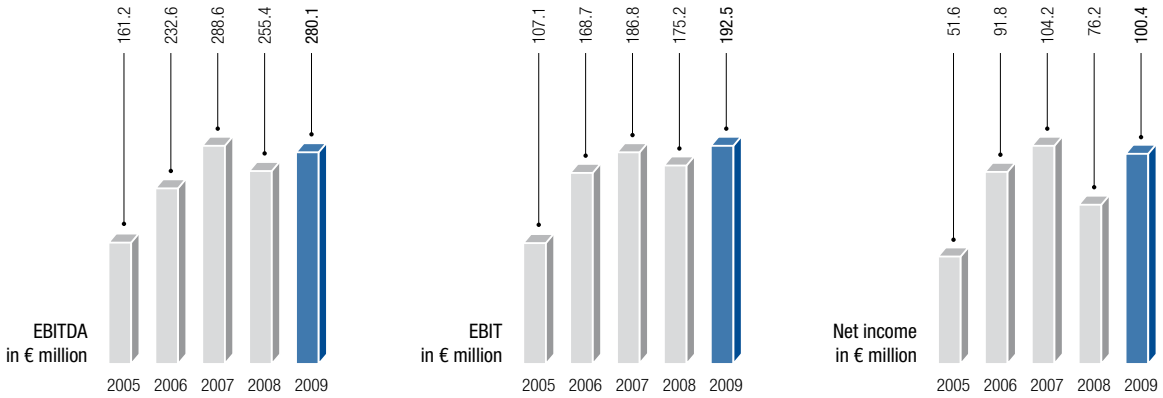
Outlook for sales development

Also in the current financial year 2010 the sales development of the STADA Group will continue to be characterized by different and in part opposite factors in the various national markets which will be described in detail in the presentation of the developments in the individual markets (see “Development of Segments – Information by Region”).

In addition, the further development of the currency relations of important Group currencies such as the Russian ruble, the Serbian dinar and the pound sterling to the euro will also continue to significantly influence sales contributions of the corresponding STADA subsidiaries at Group level and thereby also the sales development of the Group. Here the Executive Board also assumes burdens due to currency effects in 2010. From today’s perspective this should, however, turn out to be clearly lower than in financial year 2009 in which currency burdens still had a curbing effect of 5% on Group sales.

Overall, from today’s perspective, STADA’s Executive Board expects to be able to achieve sales growth in financial year 2010.

Development of Earnings and Costs



Earnings development: increase in all reported key earnings figures

Key earnings figures from the STADA Group were also characterized by the difficult framework conditions in the reporting year. As anticipated by the Executive Board already at the beginning of the year, a significant business recovery in seasonal comparison occurred in the second half of 2009 after a decreasing first half of 2009.

Therefore, in financial year 2009, all reported key earnings figures of the STADA Group increased despite the decline in sales; the minimum goal formulated at the beginning of the year of an adjusted EBITDA of € 250 million was clearly exceeded. Against the backdrop of a challenging environment, the Executive Board assesses this as a good earnings result, also because the earnings level from the previous year in 2009 adjusted for special effects was nearly achieved.

Net income rose in the reporting year, as compared to the previous year, by 32% to € 100.4 million (previous year: € 76.2 million). **Earnings before interest, taxes, depreciation and amortization (EBITDA)** in 2009 were at € 280.1 million (previous year: € 255.4 million) and were therefore 10% higher than in the previous year.

Thereby, it must be considered that, in comparison with the previous year, the earnings disclosed by STADA for financial year 2009 were significantly burdened by weaknesses in those currencies that are important for STADA, particularly the Russian ruble and the Serbian dinar, because for the translation of local earnings in the reporting year in the respective local currencies a much lower currency relation had to be taken into account.

Adjusted net income achieved, despite the very difficult environment in financial year 2009 – in particular in the German domestic market and with very unfavorable exchange rate effects in the important Group currencies of the Russian ruble and the Serbian dinar – the level of the previous year with € 115.8 million (previous year: € 116.0 million). Although **adjusted earnings before interest, taxes, depreciation and amortization (adjusted**

EBITDA) declined moderately in 2009 by 2% to € 287.5 million (previous year: € 294.3 million) it was still clearly above the minimum goal formulated for 2009 of € 250.0 million.

The adjustments made for these key earnings figures are carried out in order to better compare earnings development with the figures from the corresponding period of the previous year and to remove the following influences distorting the period comparison:

- Influence on earnings due to one-time special effects

  The earnings development in 2009 was burdened by one-time special effects in the net amount of € 17.3 million before taxes or € 12.5 million after taxes (previous year: net burden due to one-time special effects in the amount of € 40.1 million before taxes or € 26.2 million after taxes).

  In detail, these one-time special effects related to:
  – a net burden in the amount of € 11.0 million before or € 8.3 million after taxes due to amortization and write-ups on intangible assets in the scope of impairment tests;
  – a burden in the amount of € 7.2 million before or € 5.9 million after taxes due to value adjustments in various CEE countries (among others in particular also Serbia – see "Development of Segments – Information by Region – Serbia") on receivables netted of reversals of value adjustments on receivables from local wholesalers against the backdrop of a liquidity situation which was tense there due to the macroeconomic framework conditions of the global financial and economic crisis;
  – a burden in the amount of € 1.4 million before or € 1.0 million after taxes for the merger of locations in the United Kingdom;
  – a burden in the amount of € 2.0 million before or € 1.3 million after taxes in connection with personnel changes in the Group Executive Board (see "Business and General Conditions – Corporate Governance [incl. Remuneration Reports] – Executive Board");
  – a burden in the amount of € 2.3 million before or € 1.5 million after taxes due to expenses for consulting firms for the strategic and structural alignment of the Group, in particular also in connection with the "STADA – build the future" project;
  – a burden in the amount of € 1.4 million before or € 1.0 million after taxes due to adjustments of provisions with a one-time character or relating to other accounting periods in Germany for payments to health insurance organizations due to discount agreements concluded;
  – a relief in the amount of € 0.8 million before or € 0.8 million after taxes through dividend income from a non-consolidated Group company in which STADA holds a 50% share;
  – a relief in the amount of € 3.5 million before or € 2.3 million after taxes from the reversal of provisions not utilized as a consequence of the negative patent decision for STADA in Germany in connection with the active pharmaceutical ingredient Olanzapine;
  – a relief due to a successful sale in the amount of € 2.2 million before or € 2.2 million after taxes in connection with the sale of a 51% stake in Health Vision Enterprise Ltd.;
  – a relief due to a successful sale in the amount of € 0.8 million before or € 0.6 million after taxes in connection with a commission business by Britannia Pharmaceuticals.

– a relief in the amount of € 0.7 million before of € 0.6 million after taxes from earnings outside of the accounting period in connection with the cost transfer of bank charges.

- **Influence on earnings due to non-operational effects from currency influences and interest rate hedge transactions**

  Non-operational effects from currency influences and interest rate hedge transactions added up to a burden in the total amount of € 4.2 million before or € 2.8 million after taxes in 2009 (previous year: net burden due to non-operational effects from currency influences and interest rate hedge transactions in the amount of € 19.2 million before or € 13.5 million after taxes).

  In detail, it was a matter of the following effects:
  – burden on earnings due to currency effects in the form of net currency translation expenses of a Russian subsidiary in connection with existing loans from an earlier acquisition financing in the amount of € 1.1 million before or € 0.8 million after taxes;
  – burden on earnings due to the evaluation of interest rate hedge transactions (including partly in combination with a currency conditioning[1]) in the amount of € 3.1 million before or € 2.0 million after taxes.

To the extent that reference is subsequently made to additional adjusted key earnings figures, the earnings adjustments carried out include these effects in total both for the reporting period as well as for the comparison year.[2]

In the charts below essential key earnings figures of the STADA Group as well as the resulting sales-related margins are each reported unadjusted and adjusted for the aforementioned one-time special effects and non-operational earnings-influencing effects from currency influences and interest rate hedge transactions for the financial year 2009 and the previous financial year to allow for comparison.

Development of the STADA Group's key earnings figures

in € million	2009	2008	± %	Margin[3] 2009	Margin[3] 2008
Operating profit	191.9	176.4	+9%	12.2%	10.7%
• Operating segment result Generics	156.3	136.7	+14%	14.0%	11.8%
• Operating segment result Branded Products	74.9	53.8	+39%	19.1%	14.6%
EBITDA[4]	280.1	255.4	+10%	17.9%	15.5%
EBIT[5]	192.5	175.2	+10%	12.3%	10.6%
EBT[6]	141.5	105.5	+34%	9.0%	6.4%
Net income	100.4	76.2	+32%	6.4%	4.6%
Earnings per share in €	1.71	1.30	+32%		
Diluted earnings per share in €	1.70	1.28	+33%		

1) In the fourth quarter of 2008 and continuing into the current first quarter 2010, STADA combined an interest hedging transaction of a Russian subsidiary with a ruble/euro currency condition which, in financial year 2009, led to a burden of € 1.2 million (previous year: burden of € 10.1 million). In view of an expected continued high volatility of the ruble, STADA concluded a hedge transaction in the course of the third quarter of 2009, which limits the loss exposure in the event of any further weakening of the ruble to a rate of 45 ruble to 1 euro (exchange rate for the ruble on the balance sheet date: 43.35 ruble to 1 euro). In the current first quarter of 2010 the transaction expired without a substantial burden on the financial result in financial year 2010.

2) The adjusted key earnings figures are pro forma key figures which are solely aimed at a more transparent year-on-year comparison (see "Notes – 6.3.").
3) Related to relevant Group sales.
4) Earnings before interest, taxes, depreciation and amortization.
5) Earnings before interest and taxes.
6) Earnings before taxes.

Development of the STADA Group's adjusted[1] key earnings figures

in € million	2009	2008	± %	Margin[2] 2009	Margin[2] 2008
Operating profit, adjusted	211.1	221.4	-5%	13.4%	13.4%
• Operating segment result Generics, adjusted	159.4	170.6	-7%	14.3%	14.7%
• Operating segment result Branded Products, adjusted	79.5	58.5	+36%	20.2%	15.9%
EBITDA[3], adjusted	287.5	294.3	-2%	18.3%	17.8%
EBIT[4], adjusted	210.8	219.0	-4%	13.4%	13.3%
EBT[5], adjusted	163.0	164.8	-1%	10.4%	10.0%
Net income, adjusted	115.8	116.0	0%	7.4%	7.0%
Earnings per share in €, adjusted	1.97	1.98	0%		
Diluted earnings per share in €, adjusted	1.96	1.95	+1%		

Income statement as well as cost development

Cost of sales amounted to € 845.4 million in 2009 (previous year: € 904.0 million). **Gross profit** (sales after deducting cost of sales) was also burdened by adjustments of provisions outside of the period in Germany for payments to health insurance organizations due to discount agreements made in the amount of € 1.4 million which are disclosed as one-time special effects. Gross profit thereby amounted to € 723.4 million in the reporting year (previous year: € 742.2 million).

Cost of sales remains by far the largest cost item within the STADA Group. Against this backdrop, the Group, in the scope of ongoing cost optimization, will continue to focus on this item and all sub-areas relevant for it such as procurement costs of the active pharmaceutical ingredients and auxiliary materials as well as the costs which can be applied to pharmaceutical production (see "Business and General Conditions – Procurement and Production").

The **cost of sales ratio** (share of cost of sales in relation to sales) amounted to 53.9% (previous year: 54.9%) in 2009. The sales-related **gross margin**, which is reciprocal to the cost of sales ratio, was 46.1% in the financial year 2009 (previous year: 45.1%).

The Executive Board continues to expect that the cost of sales ratio and gross margin will be lastingly under pressure due to the price erosion that is intrinsically associated with the business model (see "Earnings Situation – Development of Sales"). In this context, the further increase of so-called volume businesses will additionally be noticeable as a curbing effect on the cost of sales ratio and gross margin. In these volume businesses, a significant increase in units sold is expected in return for significant price reductions so that still acceptable profit contributions can be achieved overall, even if a clearly higher cost of sales ratio and reduced gross margin are associated with this. A typical example of such volume businesses are the discount agreements in the German generics market that were again expanded in 2009 (see "Development of Segments – Information by Region – Germany"). The Group is

1) Adjusted for one-time special effects and non-operational earnings-influencing effects from currency influences and interest rate hedge transactions.
2) Related to relevant Group sales.
3) Earnings before interest, taxes, depreciation and amortization.
4) Earnings before interest and taxes.
5) Earnings before taxes.

countering the lasting margin pressure through continuous cost optimization as well as recently through additional efforts in cost optimization within the scope of the "STADA – build the future" project (see "Business and General Conditions – Business Model, Core Segments and Structural Environment – Current Group project "STADA – build the future" as well as "Earnings Situation – Development of Earnings and Costs").

Other operating income decreased to € 48.6 million in 2009 (previous year: € 51.2 million).

Within this framework currency earnings in an amount of € 11.7 million (previous year: € 9.7 million) were the largest single item.[1)]

Other operating income in the reporting year also includes earnings from various one-time special effects. These have to do with earnings from the reversal of provisions not made use of as a consequence of the negative patent decision for STADA in Germany in connection with the active pharmaceutical ingredient Olanzapine in the amount of € 3.5 million, from a successful sale in connection with a commission business at Britannia Pharmaceuticals in the amount of € 0.8 million as well as write-ups on intangible assets as a result of impairments tests in the amount of € 2.7 million, from book gains resulting from the sale of a 51% stake in Health Vision Enterprise Ltd., Hong Kong, China, in the amount of € 2.2 million as well as earnings outside the accounting period from the transfer of costs for bank charges in the amount of € 0.7 million.

In addition other operating income includes the reversal of value adjustments related to receivables in various CEE countries in the amount of € 0.7 million.[2)]

Selling expenses, which are essentially composed of costs for sales representatives and sales departments as well as product-related marketing expenditure, decreased slightly in 2009 at € 346.1 million (previous year: € 369.6 million). The selling expenses ratio in the same period amounted to 22.1% (previous year: 22.4%).

Overall, in the expectation of the Executive Board, the selling expenses ratio should continue to moderately decrease in the next few years, as the expansion in the product portfolio does not result in any continuous increase in sales activities and thus, in particular, in the size of the sales force. In addition in markets in which volume businesses with low margins are increasing significantly, it could in return become possible and/or necessary to achieve a decrease in sales expenses.

General and administrative expenses amounted to € 125.0 million in the reporting year (previous year: € 119.9 million) and was thus 8.0% of Group sales (previous year: 7.3%). Within the framework of the current "STADA – build the future" project one focus will be to examine the amount of administrative expenses in the individual, national Group companies in an intragroup cross-comparison. In connection with this project, expenses in the amount of € 2.3 million were incurred in financial year 2009 which were reported as a one-time special effect.

1) By setting off currency earnings against currency expenses reported under other operating expenses, the total result for 2009 was a burden of earnings due to currency effects in the amount of € 4.1 million (previous year: € 13.0 million).

2) This income corresponds to write-downs of receivables in various CEE countries in the amount of € 7.9 million as reported under other operating expenses and result in a net total burden of € 7.2 million (see "Earnings Situation – Development of Earnings and Costs – One-time special effects in the key earnings figures").

Research and development costs amounted to € 46.6 million in 2009 (previous year: € 46.5 million). The sales-related ratio of research and development costs amounted to 3.0% (previous year: 2.8%).

For this item it should still be considered that this is only a matter of development costs because the Group, due to its strategic positioning, does not carry out any research into new active pharmaceutical ingredients. The development costs reported in STADA's income statement comprise the non-capitalizable development costs which accrue primarily in connection with regulatory requirements and the optimization of existing products. Payments in the context of the development of new products are, by contrast, usually capitalized by STADA (see "Notes IFRS – 3.1.").[1)] For this reason they are not included in aforementioned cost item.

Other operating expenses decreased to € 62.4 million in the reporting year (previous year: € 81.0 million).

Other operating expenses in financial year 2009 included currency expenses in the total amount of € 15.8 million (previous year: € 22.7 million), thereof the one-time special effect in the amount of € 1.1 million for netted currency translation expenses of a Russian subsidiary in connection with existing loans from an earlier acquisition financing.[2)]

Other operating expenses also include additional burdening expenses from various one-time special effects. These concern amortizations within the scope of impairment tests on intangible assets in an amount of € 13.7 million, value adjustments on receivables in relation to local wholesalers in various CEE countries (among others in particular also Serbia) in an amount of € 7.9 million[3)], expenses in connection with personnel changes in the Group Executive Board in an amount of € 2.0 million, as well as from the merger of locations in the United Kingdom in the amount of € 1.4 million.

Result from the accounting of shares in associated companies under the equity method

The reported result from the accounting of associated companies under the equity method in financial year 2009 in the amount of € -0.3 million (previous year: € -2.5 million), is the result of accounting for BIOCEUTICALS Arzneimittel AG, a company initiated by STADA and predominantly financed via venture capital[4)], whose business activities are oriented to so-called biosimilar products (see "Business and General Conditions – Product Development") and which is accounted for in the STADA Group as per STADA's shareholding on the balance sheet date of 15.86% in accordance with the equity method (see "Business and General Conditions – Acquisitions and Disposals" and "Notes IFRS – 2.11. as well as 3.4."). In the reporting year 2009 STADA increased its stake in BIOCEUTICALS Arzneimittel AG from the previous 14.99% to 15.86% through the disproportionately high subscription to two capital increases in BIOCEUTICALS Arzneimittel AG (see "Business and General Conditions – Acquisitions and Disposals").

The reason for the clearly improved earnings contribution from the BIOCEUTICALS shareholding in financial year 2009 was, on the one hand, increasing license income from Erythropoietin-zeta[5)] which has been on the market in

1) In financial year 2009, development costs for new products in the amount of € 14.8 million (previous year: € 13.8 million) were capitalized.
2) By setting off currency expenses against currency earnings reported under other operating income, the total result for 2009 was a burden on earnings due to currency effects in the amount of € 4.1 million (previous year: € 13.0 million).
3) Net of the relevant other operating income resulted in a burden of € 7.2 million.
4) STADA's financial exposure as of December 31, 2009: € 19.3 million payments for equity share, € 36.8 million loans and € 6.0 million capital guarantee drawn.
5) Erythropoietin-zeta is a biopharmaceutical active ingredient used in nephrology for treatment of renal anaemia for chronic renal insufficiency and in oncology for treatment of chemotherapy-induced anaemia.

various EU countries since the beginning of 2008. On the other hand, also contributing to this was an agreement which was newly completed in the second quarter of 2009 by which BIOCEUTICALS, due to existing commercial patent rights for special pharmaceutical technological formulations of the biosimilar active ingredient Filgrastim[1)], receives compensation payments (see "Business and General Conditions – Product Development") as long as the respective commercial property rights are valid.

Financial result

The **financial result** amounted to € -50.4 million in the reporting year (previous year: € -70.9 million). The largest operative-related individual item in the financial result continues to be operative-related interest expenses – i.e., interest expenses excluding effects from interest rate hedge transactions – for borrowed funds which were primarily used for the financing of acquisitions. This amounted to € 48.9 million in the financial year 2009 (previous year: € 69.7 million).

On the balance sheet date, the corresponding weighted average interest rate for all of the Group's financial liabilities thereby amounted to approx. 3.8% annually (previous year: 4.4% annually). The greater share of the financial liabilities continues to be financed on a long-term basis (see "Financial Situation"). Due to these longer-term financing shares, the Executive Board expects only a moderate change of the weighted average interest rate in the STADA Group for financial year 2010, insofar as, fundamentally, no substantial changes are undertaken in the existing financing structure.

Operative-related interest income amounted to € 4.0 million in 2009 (previous year: € 17.4 million).

Furthermore, a net earnings burden from the valuation of interest rate hedge transactions in the Group is also included in the financial result (including partially in combination with a currency conditioning[2)] in the amount of € 3.1 million (see "Earnings Situation – Development of Earnings and Costs – Earnings influencing effects from currency influences and interest rate hedge transactions").

Taxes on income

Taxes on income increased in 2009 to € 40.8 million (previous year: € 28.5 million), so that the tax rate in the reporting year amounted to 28.8% (previous year: 27.0%).

The increase can be attributed to, among other things, a structurally changed regional profit allocation within the scope of improved net profit as well as to specific temporary issues in Group taxes; for the coming year, a decrease is once again anticipated.

Once again, in financial year 2009 the tax rate was burdened by the tax rules with regard to operating expenditures for interest expenses at corporate bodies effective in Germany. Due to this so-called interest barrier, the net interest cost of a corporate body is only deductible up to the amount of 30% of the EBITDA stated for tax purposes in Germany. In Germany, the tax-relevant EBITDA in financial year 2009 again did not reach a sufficiently high level with a

1) Filgrastim is a biopharmaceutical active ingredient in protein form which is produced by living cell lines and used, among other things, in the treatment of neutropenia, for example following cytotoxic chemotherapy or bone marrow transplants.

2) In the fourth quarter of 2008 and continuing into the current first quarter of 2010, STADA combined an interest hedging transaction of a Russian subsidiary with a ruble/euro currency condition which, in financial year 2009, led to a burden of € 1.2 million (previous year: burden of € 10.1 million). In view of an expected continued high volatility of the ruble, STADA concluded a hedge transaction in the course of the third quarter of 2009, which limits the loss exposure in the event of any further weakening of the ruble to a rate of 45 ruble to 1 euro (exchange rate for the ruble on the balance sheet date: 43.35 ruble to 1 euro). In the current first quarter of 2010 the transaction expired without a substantial burden on the financial result in financial year 2010.

view to the interest barrier; a net interest cost in the amount of € 16.3 million was thus not deductible for tax purposes, leading to a corresponding additional tax burden of approx. € 3.9 million (previous year: net interest cost non-deductible for tax purposes of € 24.4 million and resulting additional tax burden of approx. € 5.8 million).

Currently, STADA Arzneimittel AG is undergoing a regular tax audit for financial years 2003 to 2006. No final results are available at this time.

Outlook for earnings development

Also in the current financial year 2010, the earnings development of the STADA Group will continue to be characterized by different and in part opposite factors in the various national markets which will be described in detail in the presentation of the developments in the individual markets (see "Development of Segments – Information by Region"). From the sales increase for the Group expected by the Executive Board in 2010, however, positive influences on earnings development should also be anticipated.

The further development of the currency relations of important Group currencies such as the Russian ruble, the Serbian dinar and the pound sterling to the euro will also continue to significantly influence earnings contributions of the corresponding STADA subsidiaries at Group level and thereby earnings development of the Group. Here the Executive Board also assumes possible burdens due to currency effects in 2010. However, from today's perspective these should turn out to be clearly lower than in financial year 2009.

Further, STADA's Executive Board expects that the "STADA – build the future" project will allow additional earnings contributions to be achieved, which with the implementation of the individual measures, will amount to annual savings in the double-digit million area. However, from today's perspective after decisions on the implementation of the measures anticipated in the first half year of 2010 rising investments as well as burdens on the income statement due to project-related one-time special effects must also be expected (see "Business and General Conditions – Business Model, Core Segments and Structural Environment – Current Group project "STADA – build the future" as well as "Earnings Situation – Development of Earnings and Costs").

Against the backdrop of these factors influencing the Group's earnings development, the Executive Board in its overall assessment expects that in the 2010 financial year operationally there is the opportunity for earnings growth and at least a stabilization of operating margins. It should generally be possible, from today's perspective, to achieve growth in all operational, i.e adjusted for one-time special effects, key earnings figures in financial year 2010.

Dividend

The STADA Executive Board proposes to the Supervisory Board to recommend to the Annual General Meeting 2010, for the financial year 2009, a dividend of an amount of € 0.55 per common share.[1] This corresponds to a dividend increase of 6% in relation to the previous year of an amount of € 0.52 per common share.

In comparison to the year-end 2008, the number of shares entitled to a dividend at the year-end 2009 increased slightly due to the conversion of STADA warrants 2000/2015 by 58,746,265 shares (see "Financial Situation" as well as "Statement of Changes in Shareholders' Equity"); STADA also holds 103,555 shares not entitled to a dividend. This results in proposed total dividend payments in the amount of € 32.3 million (previous year: € 30.5 million).

The recommended distribution ratio thus amounts to approx. 32% of net income (previous year: approx. 40%).[2]

With this proposed resolution to increase the dividend, the Executive Board aims to give shareholders a share in the increased reported Group earnings, without placing too great a restriction on the Group's financial flexibility for further growth or calling into question the mid-term goal of further decreasing net debt.

1) See the Company's ad hoc release of March 1, 2010.

2) Proposed dividend ratio in terms of unappropriated retained earnings of STADA Arzneimittel AG approx. 99% (previous year: approx. 89%).

FINANCIAL SITUATION

Overview of Financial Situation

In the Executive Board's view, the STADA Group's financial position continues to be stable. This is seen – as a supplement to the assessment of the individual items reported in the cash flow statement as well as in the balance sheet (see "Financial Situation – Cash Flow" as well as "Financial Situation – Development of the Balance Sheet") – by means of various derived key figures.

On the balance sheet date the **equity-to-assets ratio** was 35.5% (December 31, 2008: 34.0%) and thereby remains clearly above the intended minimum rate strived for by the Executive Board.

Cash flow from operating activities amounted in 2009 to € 250.5 million (previous year: € 129.3 million), € 261.2 million adjusted for influences outside of the period (previous year: € 151.0 million) and thereby achieved the highest value in the Company history. This pleasing increase of the cash flow from operating activities resulted from the Group's more intensive cash management.

Free cash flow in 2009 was at € 144.0 million (previous year: € -14.0 million), **adjusted for significant effects** from outside the reporting period and effects from acquisitions and disposals at € 169.4 million (previous year: € 48.8 million) (see respectively "Financial Situation – Cash Flow"). Also in terms of free cash flow the highest value in Company history was achieved.

The Group's **liquidity** was guaranteed at all times in financial year 2009. For this purpose, a liquidity reserve in form of credit lines and, if required, cash is set aside. In addition, the Group has short-term firmly-pledged bilateral credit lines. Currently STADA continues to have access to over approximately € 500 million in open, i.e. not utilized by the Group, credit lines.

Net debt amounted to € 899.0 million on December 31, 2009 (December 31, 2008: € 1,015.7 million) and continues to be mainly financed via long-term promissory notes from various international and national banks with maturities in the period between 2010-2015.

With a view to the Group's substantial borrowings, STADA also decided over the course of 2009 to tap into additional refinancing methods and, for example, carried out factoring transactions for the first time to a significant extent.

In the course of the extension of utilized credit lines, the weighted average interest rate of 3.8% as per December 31, 2009, decreased as compared to the corresponding figure from the previous year. For the current financial year, however, a moderately rising weighted average interest rate must be anticipated from today's perspective, insofar as fundamentally no significant changes are carried out in the existing financing structure.

An overview of the structuring of the net debt is shown in the following table.

Remaining maturities of financial liabilities due to banks as of Dec. 31, 2009 in € million	< 1 year	1–3 years	3–5 years	> 5 years	Total	thereof as of Dec. 31, 2009 > 1 year in %
Promissory notes	150.0	230.5	244.0	50.5	675.0	78%
Amounts due to banks	341.0	16.8	22.4	1.1	381.3	11%
Total	**491.0**	**247.3**	**266.4**	**51.6**	**1,056.3**	**54%**

Indeed, liabilities to banks can generally be terminated in the short term and are therefore to be reported under current liabilities of less than one year. However, the partly already longstanding history that many of those credit lines have must be taken into consideration.

If the net debt of the Group is placed in proportion to the adjusted EBITDA of STADA it results in a value of 3.1. STADA is striving to return this value to a maximum of 3.

The Executive Board is currently hesitant to again increase the Group's net debt in order to finance external growth, without, however, ruling out taking advantage of special opportunities. More importantly, the Executive Board is striving for a return of the net debt to adjusted EBITDA ratio to a maximum value of 3; at the same time, the long-term refinancing structure of the Group to increase liquidity security should be optimized, without borrowing additional equity.

For larger projects such as acquisitions or cooperations with capital investments, however, appropriate capital measures continue to be imaginable if the burden on the equity-to-assets ratio from such acquisitions or cooperations is too high.

Further derivable key figures on the STADA Group's financial situation for the reporting year 2009 are as follows:

- First-class liquidity: 18% (previous year: 15%)
  = (cash and cash equivalents + current securities) / current liabilities

- Second-class liquidity: 75% (previous year: 91%)
  = (cash and cash equivalents + current securities + current trade receivables + other current assets) / current liabilities

- Third-class liquidity: 118% (previous year: 146%)
  = current assets / current liabilities

- Net working capital: € 527.8 million (previous year: € 626.5 million)
  = inventories + current trade receivables ⁄. current trade liabilities

- Capital employed: € 1,792.1 million (previous year: € 1,878.3 million)
  = shareholders' equity + non-current provisions + net financial liabilities

In view of these key figures, the Executive Board's view is that the STADA Group's financial position continues to be stable in financial year 2009.

Cash Flow

Cash flow overview in € million	2009	Previous year
Cash flow from operating activities	250.5	129.3
thereof influences outside of the reporting period		
• Utilization of provisions from 2007 for the restructuring of the German generics business	-	21.7
• Utilization of provisions from 2008 as a consequence of the negative patent decision in Germany in connection with the active pharmaceutical ingredient Olanzapine	10.7	-
Adjusted cash flow from operating activities	*261.2*	*151.0*
Cash flow from investing activities	-106.5	-143.3
Cash flow from financing activities	-95.8	42.9

Cash flow from operating activities, i.e. cash flow from current business activities, amounted to € 250.5 million in 2009 (previous year: € 129.3 million).

It must be taken into consideration in the assessment of cash flow from operating activities that the comparative figure from the financial year 2008 was essentially burdened by the utilization of provisions from 2007 for the restructuring of the German generics business in the amount of € 21.7 million. In addition, cash-effective influences from other periods appeared for financial year 2009 due to the utilization of provisions from 2008 as a consequence of the negative patent decision in Germany for STADA in connection with the active pharmaceutical ingredient Olanzapine. By deducting these influences from other accounting periods, in 2009 the result was an **adjusted cash flow from operating activities** of € 261.2 million (previous year: € 151.0 million).

Both cash flow from operating activities and adjusted cash flow from operating activities reached the highest value ever in STADA's corporate history. The intensified measures taken in 2009 for the optimization of the cash flow situation of the Group such as factoring of receivables with good credit worthiness contributed to this. It is STADA's objective to again increase cash flow from operating activities in 2010.

In terms of **cash flow from investing activities**, net cash outflows of € 106.5 million occurred in the reporting year (previous year: net cash outflow of € 143.3 million).

Of this the Group spent for **acquisitions** – either for the acquisition of consolidated companies or for product purchases, in other words for investments in intangible assets for the short-term expansion of the product portfolio (generally in the reporting year) – in 2009 a total of € 36.4 million (previous year: € 52.0 million) (see "Business and General Conditions – Acquisitions and Disposals").

In addition in cash flow from investing activities an inflow of cash and cash equivalents due to **disposals** in the total amount of € 27.3 million (previous year: € 27.3 million) arose in 2009.

Investments in other intangible assets, i.e. investments in intangible assets in the context of the ongoing operating business (i.e. not influenced by acquisition, cooperation and disposal projects) in the amount of € 46.4 million (previous year: € 41.7 million) mainly related to payments for the mid and long-term expansion of the product portfolio in the form of the acquisition of approvals or approval dossiers as well as a small part for the purchasing of software, among other things, in connection with the introduction of SAP software at STADA's international locations.

The future development of cash flow from investing activities with respect to total intangible assets depends in particular on individual decisions of the Group on acquisition, cooperation and disposal projects.

Regarding investments in other intangible assets in the context of the operating business, for the years to come investments of an amount similar to the reporting year can be expected.

Investments in property, plant and equipment totaled € 50.8 million in 2009 (previous year: € 72.2 million).

A focus in property, plant and equipment investments also in 2009 was the investment in production facilities and production sites with a total volume of € 24.1 million (previous year: € 10.4 million) (see "Business and General Conditions – Procurement and Production"). For this, significant investments in at least a similar annual amount as in 2009 can continue to be expected in the future.

In the context of investments in property, plant and equipment € 5.0 million were disbursed for the new STADA logistics center in Florstadt, Germany, for which construction was started in 2007, in connection with the commissioning in the 2009 reporting year. In total, investments between 2007 and 2009 amounting to € 36.1 million have flowed into these investment projects.

In addition, the investments in property, plant and equipment in the financial year 2009 also included payments for the new construction of laboratory and office space in a Group-owned site at the Bad Vilbel location. Of the total investments expected for this of up to € 15 million, expenses of € 10.7 million were incurred in the reporting year. Since the start of the project, capitalizations in the amount of € 11.5 million were recognized for this new building. For the current financial year 2010, STADA therefore still assumes an investment volume in the amount of approx. € 3.5 million.

In addition, within the scope of the Group-wide "STADA – build the future" project for the optimization of Group structures (see "Business and General Conditions – Business Model, Core Segments and Structural Environment – Current Group project "STADA – build the future" as well as "Earnings Situation – Development of Earnings and Costs"), the implementation phase of a substantial sub-project in Russia began already in the fourth quarter of 2009. In the course of the current financial year 2010, reasonable investments in the single-digit million area will create the operational requirements for achieving gradually increasing savings which on the conclusion of all measures should add up to more than € 10 million per year (see "Development of Segments – Information by Region – Russia").

Moreover in connection with this Group project for the implementation of the measures rising investments as well as burdens on the income statement after the decisions anticipated in the first half year of 2010 must be expected.

Investments in financial assets amounted to € 0.1 million in 2009 (previous year: € 4.8 million).

The further development of this cash flow item depends on the Group's individual decisions on current investment projects.

Cash flow from financing activities amounted to € -95.8 million in 2009 (previous year: € 42.9 million).

From the conversion of warrants into STADA shares, the Group generated an inflow from a capital increase in the reporting year in the amount of € 1.5 million (previous year: € 0.6 million) (see "Notes IFRS – 3.17.").

In total, **cash flow for financial year 2009**, net of all inflows and outflows of cash and cash equivalents, amounted to € 46.5 million (previous year: € 29.0 million).

Free cash flow, i.e. cash flow from current business activities plus cash flow from investing activities, amounted to € 144.0 million (previous year: € -14.0 million) in the reporting year and thereby reached the highest value in the Company history. **Free cash flow, adjusted** for significant influences from outside the reporting period as well as for expenses from acquisitions and proceeds from disposals, was € 169.4 million in the reporting year 2009 (previous year: € 48.8 million). Thus, also for 2009, it is evident that STADA can finance the operating business of the Group – without acquisitions – through the self-generated cash flow.

In the Executive Board's view, the development of the cash flow described indicates a stable financial situation for the STADA Group.

Development of the Balance Sheet

The **balance sheet total** fell as of December 31, 2009, also, among other things, due to currency effects with no effect on income, to € 2,451.7 million (December 31, 2008: € 2,469.5 million).

Also, essentially due to scheduled amortization, **intangible assets** fell to a total of € 1,000.1 million as of the balance sheet date (December 31, 2008: € 1,000.9 million). The amount of this balance sheet item continues to be attributable to the Group's long-term active expansion policy with corresponding investments in the acquisition of companies and products including brands and licenses as well as in the area of product development for the acquisition of dossiers and approvals. In addition to this, in the reporting year, development costs in the amount of € 14.9 million (December 31, 2008: € 14.6 million) were capitalized as internally-created intangible assets (see "Notes IFRS – 3.1.").

In accordance with IFRS, the intrinsic value of the assets is checked at least once a year – within the STADA Group in the fourth quarter –, but also when necessary event-related through **impairment tests**. In this context, both impairment gains and impairment losses on intangible assets occurred in financial year 2009, which resulted in a net burden on earnings of € 11.0 million (previous year: € 4.9 million) (see "Earnings Situation – Development of Earnings and Costs").

Property, plant and equipment increased to € 309.0 million as of December 31, 2009 (December 31, 2008: € 306.6 million). This increase was essentially based on investments in the Group's worldwide production facilities (see "Financial Situation – Cash Flow").

Financial assets decreased to € 19.6 million as of December 31, 2009 (December 31, 2008: € 20.8 million), comprising available-for-sale financial assets in the amount of € 19.5 million; however, no sale is currently planned with regard to these available-for-sale financial assets.

Shares in associated companies recognized under the equity method in the amount of € 7.2 million (December 31, 2008: € 4.4 million) affect the balance-sheet treatment of BIOCEUTICALS Arzneimittel AG (see "Earnings Situation – Development of Earnings and Costs – Earnings result from the accounting of shares in associated companies under the equity method" and "Notes IFRS – 2.11. as well as 3.4.").

In the reporting year 2009, STADA increased its shareholdings in BIOCEUTICALS Arzneimittel AG Bad Vilbel, a company initiated by STADA and predominantly financed via venture capital[1)] whose business activities are oriented to the so-called biosimilar products[2)] (see "Business and General Conditions – Product Development", "Financial Situation – Development of the Balance Sheet" as well as "Notes IFRS – 6.8.2.").

In 2008 STADA held a 14.99% shareholding in BIOCEUTICALS. With legal validity of a capital increase carried out in 2008, STADA's shareholding in BIOCEUTICALS Arzneimittel AG, initially rose to a total of 15.44% as of February 4,

1) STADA's financial exposure as of December 31, 2009: € 19.3 million payments for equity share, € 36.8 million loans and € 6.0 million capital guarantee drawn.

2) A biosimilar is a biopharmaceutical product, i.e. a drug with a protein as biopharmaceutical active ingredient which is produced by genetically modified cell lines which, despite different producing cell lines, compared to an initial supplier product which is already on the market, is so similar that the biosimilar has proven therapeutic equivalence. The development of biosimilar products is connected with significantly higher costs and risks of default than is the case for classic generics.

2009. With a further capital increase in BIOCEUTICALS in the first quarter of 2009, which provided the latter with a cash inflow of € 5.1 million, STADA participated at a disproportionately high level as compared to its previous stake with a capital contribution totaling € 1.5 million. With the legal validity of this capital increase STADA now holds 15.86% of BIOCEUTICALS and accounts for this using the equity method (see "Notes IFRS 2.11. as well as 3.4."). In addition STADA continues to have a so-called call option on the purchase of all outstanding BIOCEUTICALS shares, which can be exercised yearly from 2011.

Development activities of BIOCEUTICALS currently focus on Erythropoietin-zeta[1]. In addition to studies on pharmacovigilance, an expansion of the existing EU-wide approval for the subcutaneous application in the indication area of nephrology is being strived for (see "Business and General Conditions – Product Development"). Ongoing development activities for Filgrastim[2] are suspended until further notice. Various application opportunities for the development results achieved to date continue to be investigated (see "Business and General Conditions – Product Development").

BIOCEUTICALS has so far not made use of own personnel to carry out all business activities – except for the Company's boards according to stock corporation law – but has exclusively charged companies from the STADA Group with this, which invoice at normal market conditions.

In the context of its business activities, BIOCEUTICALS has received first royalty payments from the sales partners for Epo-zeta since 2008. In addition, in the scope of the licensing it has been contractually agreed that depending on the project progress with regard to the sought Epo-zeta approvals for the USA and Canada, BIOCEUTICALS shall receive from Hospira payments (so-called "milestone payments") which could still add up to a total of up to € 14 million within the next years. To further finance its business activities, BIOCEUTICALS carried out the capital increase described above. Moreover, STADA provides BIOCEUTICALS with a credit line facility with an interest rate that is partly usual for risk capital and of which a total of € 36.8 million had been used as of December 31, 2009. In addition, a capital guarantee from STADA for the benefit of BIOCEUTICALS continues to exist, of which € 6.0 million had been used as of December 31, 2009 (see "Notes IFRS – 6.8.2.").

Non-current income tax receivables amounted to € 1.1 million on the balance sheet date (December 31, 2008: € 4.3 million).

Non-current trade accounts receivable which include, among other things, non-current receivables from companies consolidated on a pro rata basis, went up with an unchanged low overall level to € 2.6 million as of December 31, 2009 (December 31, 2008: € 1.3 million).

Other non-current assets recorded a decrease to € 44.5 million as of December 31, 2009 (December 31, 2008: € 45.9 million). This item contains, as of December 31, 2009, an outstanding purchase price receivable in an amount of € 2.8 million which relates to a partial amount of the purchase price receivable from the disposal of Health Vision Enterprise Ltd. in the fourth quarter of 2009.

1) Erythropoietin-zeta is a biopharmaceutical active ingredient used in nephrology for treatment of renal anemia for chronic renal insufficiency and in oncology for treatment of chemotherapy-induced anemia.

2) Filgrastim is a biopharmaceutical active ingredient in protein form which is produced by living cell lines and used, among other things, in the treatment of neutropenia, for example following cytotoxic chemotherapy or bone marrow transplants.

Inventories fell to € 375.0 million as of December 31, 2009 (December 31, 2008: € 396.9 million).

In specific market situations STADA puts – following the principle of market proximity (see "Business and General Conditions – Sales and Marketing") – certain range considerations deliberately aside in favor of possible operating opportunities. In individual cases this can lead to revaluations of inventories which burden earnings, if the expected utilization of opportunities cannot be realized in the market. In the financial year 2009 total burdens in the amount of € 29.9 million (previous year: € 33.3 million) due to valuation changes in inventories were incurred.

Current trade accounts receivable decreased on the balance sheet date to € 419.4 million (December 31, 2008: € 458.2 million).

In specific market situations, STADA generally accepts, if necessary, higher current trade receivables, in order to be able to achieve opportunities for improved market positions associated with this. Within the scope of its receivables management, however, the Group pays careful attention to the creditworthiness of individual customers. Defaults – especially on the part of major clients – can, however, not be entirely ruled out (see "Risk Report"). Therefore STADA, in 2009, had to carry out in various CEE countries – among others in particular also in Serbia (see "Development of Segments – Information by Region – Serbia") – value adjustments on receivables from local wholesalers in the net amount of € 7.2 million as a one-time special effect against the backdrop of a tense liquidity situation due to the macroeconomic framework conditions of the ongoing global financial and economic crisis. However, the provision for bad debts in relation to Group sales at 1.6% (previous year: 1.0%) was also low in 2009 (see "Risk Report").

With a view to the Group's substantial borrowings, STADA also decided over the course of 2009 to tap into additional refinancing methods and, for example, carried out factoring transactions for the first time to a significant extent.

Current income tax receivables on the balance sheet date amounted to € 30.3 million (December 31, 2008: € 26.1 million).

Other current assets – in the amount of € 57.5 million (previous year: € 62.7 million) – included, among other things, in the reporting year, prepaid expenses/deferred charges and receivables from the tax authorities insofar as these did not relate to income tax receivables and thus reported as reference date effects from the operating business. The presentation in the previous year of the outstanding purchase price receivable related to the second and last purchase price installment from the sale of STADA Inc. (USA) to DAVA Inc. from the year 2006 which was settled when due in financial year 2009.

Non-current assets held for sale in the amount of € 5.6 million (December 31, 2008: € 2.1 million) related to an investment as well as land and buildings at various locations.

Unchanged as of December 31, 2009, the Group held with € 0.4 million (previous year: € 0.1 million) no noteworthy holdings in **current securities.**

The item **cash and cash equivalents**, which is distinctly influenced by random reporting date effects, amounted to € 156.9 million as of December 31, 2009 (December 31, 2008: € 110.5 million).

On the equity and liabilities side of the balance sheet, **equity** increased to € 869.7 million as of December 31, 2009 (December 31, 2008: € 839.7 million). Hereby it is to be taken into consideration that in financial year 2009 there were proceeds from capital increases from the conversion of warrants of € 1.5 million (see "Business and General Conditions – Capital Structure and STADA Share"). Currency translations booked with no effect on income reduced equity in the reporting year to € 37.5 million (equity reduction in the previous year due to currency translation: € 107.6 million).

Pursuant to IAS 1.134, STADA understands capital exclusively as equity reported in the consolidated balance sheet and aims to continuously improve its market value through optimal capital management.

Shares of non-controlling shareholders decreased as of December 31, 2009 to € 8.6 million (December 31, 2008: € 12.4 million) due to the further increase of various majority interests in the course of 2009 in Serbia and Bosnia-Herzegovina (see "Business and General Conditions – Acquisitions and Disposals").

Non-current provisions amounted to € 23.5 million as of the balance sheet date (December 31, 2008: € 22.9 million) and were thereby slightly below the previous year's level. They included provisions for pensions exclusively created in accordance with actuarial principles (see "Notes IFRS – 3.20.").

Non-current financial liabilities, which at 93% mainly consist of promissory notes with maturities in the period between 2011-2015 (see "Financial Situation – Overview of Financial Situation" and "Notes IFRS – 3.21."), fell as of December 31, 2009 to € 565.3 million (December 31, 2008: € 761.1 million). A significant reason for this were term-related reallocations (see "Financial Situation – Development of the Balance Sheet – current financial liabilities") in the current area. The weighted average interest rate for the STADA Group's non-current financial liabilities amounted to approx. 4.5% annually as of December 31, 2009 (December 31, 2008: approx. 4.8% annually).

As of the balance sheet date, with € 0.03 million (December 31, 2008: € 0.1 million), **non-current trade accounts payable** were at the usual low level for the size of the STADA Group.

Other non-current liabilities decreased to € 30.0 million as of December 31, 2009 (December 31, 2008: € 30.8 million).

Current provisions fell as of December 31, 2009 to € 10.5 million (December 31, 2008: € 20.3 million) and included, among other things, provisions for warranties to the moderate extent which is usual for STADA in the amount of € 7.4 million (previous year: € 4.1 million). In a comparison with the balance sheet date December 31, 2008, it must be taken into account, that this item at that time included, among other things, the reporting as a one-time special effect, of the provisions for damage claims against STADA sales companies as a consequence of the negative patent decision for STADA in Germany in connection with the active pharmaceutical ingredient Olanzapine.

Current financial liabilities increased to € 491.0 million as of the balance sheet date (December 31, 2008: € 365.1 million). A significant reason for this were term-related reallocations (see "Financial Situation – Development of the Balance Sheet – Non-current financial liabilities"). The weighted average interest rate for the Group's current financial liabilities amounted to approx. 3.0% annually as of the balance sheet date (December 31, 2008: approx. 3.8% annually).

Current trade accounts payable which were influenced by random reporting date effects, increased to € 266.6 million (December 31, 2008: € 228.6 million), as of December 31, 2009.

Current income tax liabilities amounted to € 21.8 million on the balance sheet date (December 31, 2008: € 18.4 million).

Other current liabilities, which were also influenced by random reporting date effects, amounted to € 108.7 million on the balance sheet date (December 31, 2008: € 109.6 million). This included financial obligations from a capital guarantee towards BIOCEUTICALS Arzneimittel AG in the amount of € 4.8 million (December 31, 2008: € 4.8 million) (see "Business and General Conditions – Acquisitions and Disposals" as well as "Notes IFRS – 2.11.").

In the Executive Board's view the development of the balance sheet described indicates a stable financial situation for the STADA Group.

Due to the Group's continuing stable financial situation, the Executive Board expects to be able to finance investments required for the desired organic growth mainly by means of cash flow generated within the Group.

The Executive Board is currently hesitant to again increase the Group's net debt in order to finance external growth, without, however, ruling out taking advantage of special opportunities. More importantly, the Executive Board is striving for a return of the net debt to adjusted EBITDA ratio to a maximum value of 3; at the same time, the long-term refinancing structure of the Group to increase liquidity security should be optimized, without borrowing additional equity.

For larger projects such as acquisitions or cooperations with capital investments, however, appropriate capital measures continue to be imaginable if the burden on the equity-to-assets ratio from such acquisitions or cooperations is too high.

Competitive Intangibles

In addition to the recognized assets (see "Financial Situation") the STADA Group also has competitive intangibles which are however only partially quantifiable.

The most significant competitive intangibles include, for example, in the Executive Board's assessment, the high international reputation of STADA as well as the individual national labels in their respective markets. This reputation, which goes beyond the intangible asset of the trademarks held by the Group and recognized in the balance sheet in view of their importance for sales, is an important success factor for new business, for example, or also in the discussion on health policy with politicians or in associations. STADA thereby achieves easier access to or has its voice better heard with the respective decision makers.

Another essential competitive intangible whose value can, however, be approximated by means of estimations, is the goodwill of consolidated Group companies which, in accordance with IFRS, can partly not be recognized in the balance sheet.

Although goodwill reductions determined in the context of impairment tests, which are regularly carried out, immediately result in a write-down and thus in a reduction of the corresponding balance sheet item, possible goodwill increases determined in this connection must not be used for write-ups. In addition, in the case of Group companies which are founded by STADA itself, no goodwill at all can be recognized, according to IFRS. By making use of all of these cases of the criteria for impairment testing that are usual at STADA, the result is that the Group, because of this, can currently not report value in use of these companies alone in the amount of over approx. € 500 million as assets in the balance sheet.

DEVELOPMENT OF SEGMENTS

Information by Operating Segment[1)]

Development of core segments

Information by operating segment is based on differentiation possibilities in terms of sales and at STADA is divided into the two core segments Generics and Branded Products as well as into the non-core activities Commercial Business and Group holdings/other (see "Business and General Conditions – Business Model, Core Segments and Structural Environment").

In the two **core segments** Generics and Branded Products, sales decreased by a total of 1% to € 1,508.2 million (previous year: € 1,523.4 million). Aggregated sales of the two core segments adjusted for portfolio changes and currency influences (see "Earnings Situation – Development of Sales") increased however by 4% compared to the previous year. In addition, as a result of the sale of non-core-activities, the share in Group sales of the two core segments in 2009 increased to a total of 96.1% (previous year: 92.5%).

In financial year 2009, sales of **Generics**, which continues to be the significantly larger core segment, decreased, in view of the partly very difficult framework conditions (see "Development of Segments – Information by Region") by 3% to € 1,115.6 million (previous year: € 1,154.5 million). Generics thus contributed 71.1% to Group sales in the reporting year (previous year: 70.1%). Aggregated sales of Generics adjusted for portfolio changes and currency influences (see "Earnings Situation – Development of Sales") in the reporting year were 1% above the level of the previous year.

Top 5 generic active ingredients in products of STADA Group in 2009

Active ingredient	Indication	Sales 2009 in € million	Change from previous year
Omeprazole	Stomach medicine	70.3	-31%
Amoxicillin	Antibiotic	29.8	+53%
Simvastatin	Cholesterol lowerer	29.8	-15%
Enalapril	ACE inhibitor	29.3	-19%
Diclofenac	Antirheumatic drug	24.9	+4%
Total		184.1	

Overall, in 2009, measured by sales STADA generated sales in the amount of € 184.1 million with products containing the Group's top five active pharmaceutical ingredients in terms of sales (previous year: € 217.5 million). This gives these products a share of Generics segment sales of 16.5% in financial year 2009 (previous year: 18.8%).

1) IFRS 8: Since the beginning of the financial year 2009, STADA has applied the regulations of IFRS 8, replacing the regulations of IAS14 which were applied up to the end of 2008. Under IFRS 8 the identification of reportable operating segments is based on the "Management Approach", which has already been applied by STADA in the past in accordance with IAS 14. Moreover, external segment reporting is to be carried out based on the management and reporting figures used internally.

As in the past, measured by sales, the stomach medicine Omeprazole was the best-selling active pharmaceutical ingredient for STADA, both in the core segment Generics and in the Group as a whole.

In the core segment **Branded Products**, STADA recorded sales growth of 6% to € 392.6 million in the reporting year (previous year: € 368.9 million). This gave Branded Products a share of Group sales of 25.0% in 2009 (previous year: 22.4%). By taking into account portfolio changes and currency influences (see "Earnings Situation – Development of Sales"), adjusted sales of Branded Products recorded an increase of 15% in the reporting year.

The difficult economic framework conditions in the scope of the continuing global financial and economic crisis obviously did not significantly influence the demand for the Group's Branded Products in 2009, although these products are paid for predominantly by the patients themselves.

Top 5 branded products in the Group in 2009

Branded product	Indication	Sales 2009 in € million	Change from previous year
Grippostad®	Cold medicine	34.1	+21%
Apo-Go®	Parkinson medicine	25.0	+10%
Hirudoid®	Venous therapeutic treatment	16.2	+8%
Chondroxid®	Treatment for wear-related joint diseases	15.8	+6%
Mobilat®	Topical pain and trauma treatment	15.2	-11%
Total		106.3	

With the top five branded products in the Group in terms of sales, STADA generated sales in the amount of € 106.3 million in the financial year 2009 (previous year: € 99.4 million). Thus, the share of these branded products amounted to 27.1% (previous year: 26.9%) of sales of the Branded Products segment in financial year 2009.

Measured by sales, Grippostad®, with € 34.1 million in 2009 (previous year: € 28.0 million) continued to be the strongest branded product in the Group.

Non-core activities to support core segments

Sales in **Commercial Business**, which is not part of the core segments, decreased to € 51.6 million in 2009 (previous year: € 58.4 million). The discontinuation of the Dutch commercial business in mid 2008 that had recorded a sales contribution of € 1.9 million in the previous year was noticeable here.

Sales reported under **Group holdings/other** clearly declined in 2009 to € 9.0 million (previous year: € 64.4 million). Here, it must be taken into account that in 2008 this segment still included, among other things, partial sales in the

amount of € 48.6 million from the British Forum Products division deconsolidated as of August 31, 2008 and not one of the core segments of the STADA Group (see "Development of Segments – Information by Region – United Kingdom").

Operating profit by segment

Operating profit in the **Generics segment** increased by 14% to € 156.3 million in the reporting year (previous year: € 136.7 million) despite the difficult market environment in individual national markets (see "Development of Segments – Information by Region"); it should be considered here that the previous year was burdened by one-time special effects from the for STADA negative patent decision in Germany in connection with the active pharmaceutical ingredient Olanzapine. **Operating profit** in the **Branded Products segment** increased by 39% to € 74.9 million in the financial year 2009 (previous year: € 53.8 million). The **operating profit margin** of **Generics** amounted to 14.0% in 2009 (previous year: 11.8%). The **operating profit margin** of **Branded Products** amounted to 19.1% in the reporting year (previous year: 14.6%).

By taking into account the previously mentioned one-time special effects (see "Earnings Situation – Development of Earnings and Costs – Influence on earnings due to one-time special effects") **adjusted operating profit** in the **Generics segment** amounted to € 159.4 million in 2009 (previous year: € 170.6 million) and **adjusted operating profit** in the **Branded Products segment** was € 79.5 million (previous year: € 58.5 million). For 2009, this resulted in an **adjusted operating profit margin** in the amount of 14.3% for **Generics** (previous year: 14.7%) and in an **adjusted operating profit margin** in the amount of 20.2% for **Branded Products** (previous year: 15.9%). The decrease in adjusted operating segment profit as well as the corresponding segment margin in the Generics segment can be attributed to the difficult market environment in individual national markets (see "Development of Segments – Information by Region").

Operating profit in the **Commercial Business segment** decreased to € 2.7 million in financial year 2009 (previous year: € 5.9 million). **Operating profit** in the **segment Group holdings/other** amounted to € -41.9 million in 2009 (previous year: € -20.0 million). This development, is, as expected and primarily due to the deconsolidation of the British Forum Products division as of August 31, 2008 (see "Development of Segments – Information by Region – United Kingdom").

Information by Region[1)]

In the STADA Group, information by region is based on the regional differentiation in national markets. In this context, in the individual national markets, all relevant net sales to third parties generated there by consolidated Group companies are reported.

Sales by segments and national markets in € million[2)]

	Generics	Branded Products	Commercial Business	Group holdings/ other	Total sales 2009	Share of Group sales 2009	Total sales previous year	± %	*±% adjusted[3)]*
Belgium	120.2	5.5			125.7	8%	110.7	+14%	
Bosnia-Herzegovina	11.2	2.4	0.5	0.7	14.8	1%	19.0	-22%	*-22%*
Bulgaria	5.4	0.8			6.1	<1%	5.9	+4%	*+4%*
China	1.7	0.3			2.0	<1%	6.8	-70%	*-9%*
Denmark	2.8	1.1	22.0		25.9	2%	18.5	+40%	*+36%*
Germany	426.3	103.1		2.2	531.6	34%	564.0	-6%	
Finland	0.5	4.7			5.1	<1%	9.2	-44%	
France	77.7	4.7			82.4	5%	91.4	-10%	
United Kingdom	17.5	33.8		0.0	51.3	3%	100.9	-49%	*-8%*
Ireland	13.8	5.0	1.2		20.1	1%	25.3	-21%	*+1%*
Italy	67.5	49.5			117.1	7%	124.2	-6%	*-1%*
Kazakhstan	2.1	5.9			8.0	1%	6.9	+17%	*+36%*
Macedonia	2.4	0.3	0.0		2.7	<1%	2.7	+0%	*+0%*
Montenegro	3.3	0.7	0.5	1.6	6.0	<1%	7.3	-18%	
The Netherlands	23.9	14.3			38.2	2%	41.3	-8%	*-3%*
Austria	11.5	3.8			15.3	1%	14.5	+5%	
The Philippines	0.3		11.8		12.1	1%	11.1	+8%	*+10%*
Poland	1.1	2.3			3.4	<1%	-0.3	+1,197%	*+1,449%*
Portugal	9.2	2.1			11.3	1%	9.1	+24%	
Romania	3.0	1.1			4.1	<1%	3.0	+33%	*+53%*
Russia	86.8	104.5		0.6	191.9	12%	183.4	+5%	*+26%*
Sweden	3.1	1.7			4.8	<1%	3.2	+50%	*+64%*
Serbia	91.1	9.0	14.9	3.6	118.6	8%	144.5	-18%	*-6%*
Slovakia	4.5	1.2			5.7	<1%	4.9	+17%	
Spain	67.2	6.7			73.9	5%	65.9	+12%	
Thailand	1.6	0.6	0.1		2.2	<1%	2.2	+2%	*+0%*
Czech Republic	10.1	2.1			12.2	1%	10.0	+23%	*+30%*
Ukraine	7.1	12.5			19.7	1%	17.1	+15%	*+64%*
Vietnam	6.1	3.1	0.5	0.0	9.8	1%	7.5	+31%	*+35%*
Other countries	36.5	9.7	0.0	0.4	46.6	3%	35.9	+30%	
• thereof USA	13.3	0.5			13.7	1%	3.9	+252%	*+233%*

1) IFRS 8: Since the beginning of the financial year 2009, STADA has applied the regulations of IFRS 8, replacing the regulations of IAS 14 which were applied up to the end of 2008. Under IFRS 8 the identification of reportable operating segments is based on the "Management Approach", which has already been applied by STADA in the past in accordance with IAS 14. Moreover, external segment reporting is to be carried out based on the management and reporting figures used internally.

2) Sales below € 0.05 million were rounded to € 0.0 million.

3) Adjustments from changes in the Group portfolio as well as from currency effects (see "Earnings Situation – Development of Sales"). In some cases, figures were converted into local currency since the invoicing company's reporting currency was euro.

Development of STADA's ten largest national markets

In view of the clear focus of Group business on the European area, STADA's ten largest national markets are also in Europe. They contributed a total of 86% to Group sales in financial year 2009 (previous year: 88%). As a result of the partially difficult framework conditions in some of these ten national markets, sales in the reporting year decreased here by a total of 6%. Adjusted, these sales increased by 1% (see "Earnings Situation – Development of Sales").

Germany

Germany, which continues to be the Group's largest national market, was a particularly challenging market for STADA in financial year 2009 due to regulatory-related market changes. Sales here – in view of the constantly decreasing price level and high discounts to health insurance organizations due to regulatory initiated discount agreements between manufacturers and public health insurance organizations in the Generics segment – fell by 6% to € 531.6 million (previous year: € 564.0 million) in 2009. STADA's German business activities thus contributed 33.9% to Group sales in the reporting year (previous year: 34.3%).

STADA's Generics sales fell in Germany in financial year 2009 by 6% to € 426.3 million (previous year: € 455.4 million). Generics thus contributed 80% (previous year: 81%) to Group sales in Germany. The STADA Group's market share in terms of generics sold in German pharmacies decreased slightly to approx. 13.5% in 2009 (previous year: approx. 13.6%).[1)]

At € 103.1 million (previous year: € 103.1 million), sales in the reporting year in the Branded Products core segment in Germany were at the level of the previous year. This gave Branded Products a share of German Group sales of 19.4% in 2009 (previous year: 18.3%).

In 2009, STADA continued to be active in the German market with five sales presences, so-called labels (ALIUD Pharma GmbH, STADApharm GmbH, STADA GmbH, cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH and Hemopharm GmbH Pharmazeutisches Unternehmen).

The Group's two largest local labels in Germany, ALIUD PHARMA GmbH, Laichingen, and STADApharm GmbH, Bad Vilbel (including the sub-label STADA Medical, Bad Vilbel, which is focused on vaccines, among other things) are so-called "full-line" generics sales companies, offering comprehensive product portfolios and thereby largely covering the range of active pharmaceutical ingredients available for the generics area. The sales and earnings situation of these two German sales labels in 2009 was significantly characterized by the difficult market environment as described before. ALIUD PHARMA recorded a slight decrease in sales in the reporting year of 4% to € 241.1 million (previous year: € 252.1 million). In 2009, ALIUD PHARMA continued to occupy position 3 in the German generics market.[1)] STADApharm was not able, in financial year 2009 overall, to offset its aggressive price policy, which was launched at the beginning of 2009 to complete a new sales alignment, by means of growth in volume. In view of

1) Data from IMS Health relating to pharmacy sales to customers (source: IMS/Pharmascope national).

this, sales of this label fell by 14% to € 155.0 million in the reporting year (previous year: € 180.3 million) and therefore remained considerably below original expectations.

STADA's other generics sales label in Germany, cell pharm, Bad Vilbel, special supplier for the indication areas oncology and nephrology recorded a sales increase in the amount of 39% to € 28.8 million (previous year: € 20.8 million) in the reporting year. One reason for this continued positive sales development was the further market penetration of the Group's first biosimilar[1] SILAPO® (active ingredient Epo-zeta[2]), which achieved sales of € 12.7 million in 2009 (previous year: € 4.4 million with introduction in the first quarter of 2008).

In the German generics market in the course of 2009, numerous new tenders of discount agreements took effect or were newly started. STADA took part in these tenders via the various labels using different bid strategies and with varying outcomes in terms of winning awards. Overall, a larger variety of discount agreement structures were apparent in the most recent tenders – also as a result of court decisions on the permissibility of different tender procedures. However, further legal reviews on a national as well as an EU level of numerous existing discount agreements continue to be carried out.

More structural changes in the German health care system are expected from the federal government in Germany for the current year 2010. Thereby, under discussion are also changes to the structural element of discount agreements, which is central to the generics market, with the goal, among other things, of a greater degree of acceptance among patients and improved anti-trust protection. Such regulations are expected to be passed and to take effect during the current year.

STADA continues to prepare adequately in the scope of what is operatively possible for the various result scenarios of the respective market implementation of the tenders still outstanding or recently awarded as well as the possible legal or regulatory induced changes of the structural framework conditions in the German generics market. STADA thus also modified the local sales strategy in the German market previously followed by the Group and again separated the pharmacy sales force for STADApharm generics and the Group's branded products under the label STADA GmbH at the end of the reporting year.

STADA's branded products are sold under the label STADA GmbH in the German market; in 2009, sales of this label of € 97.4 million (previous year: € 96.9 million) were slightly above the level of the previous year. Important branded products from this label continued to be market leaders in their respective segments in the German pharmacy market. Examples of this are Grippostad® (local sales in 2009: € 30.3 million, previous year: € 25.8 million) with a market share of approx. 34% in the market for flu drugs[3)4)] as well as STADA's sunscreen portfolio under the brand Ladival® (local sales in 2009: € 12.3 million, previous year: € 15.7 million) which, with a market share of approx. 43%, clearly remains market leader in the market for sunscreens sold in pharmacies[5].

Hemopharm GmbH Pharmazeutisches Unternehmen, Bad Homburg, another STADA label in Germany, which mainly sells prescription-free generics and adjuvants in the indication area diabetes and selected branded products from

1) Biosimilar is a biopharmaceutical product, i.e. a drug with a protein as biopharmaceutical active ingredient which is produced by genetically modified cell lines which, despite different producing cell lines, compared to an initial supplier product which is already on the market, is so similar that the biosimilar has proven therapeutic equivalence.

2) Epo-zeta is used in nephrology for the treatment of renal anemia with chronic renal insufficiency and in oncology for the treatment of chemotherapy-induced anemia.
3) Data from IMS Health based on ex-factory prices.
4) Excluding anti-infective agents.
5) STADA estimate at pharmacy retail prices based on data from IMS Health.

the Group portfolio, increased sales in 2009 – also based on the reclassifications within the Group in 2008 – by 22% to € 3.8 million (previous year: € 3.1 million).

On November 13, 2009 STADA acquired – in Germany for sales to be made through Hemopharm – the branded product EUNOVA Multi-Vitalstoffe Langzeit Kapseln (see "Business and General Conditions – Acquisitions and Disposals"). In 2008, the last full financial year before the takeover, sales generated with this product amounted to € 6.9 million. The product is assigned to the area of nutritional supplements. The sales contribution of this product to STADA's Group sales in 2009 was € 0.6 million.

The Group's sales in Germany also include export sales from foreign Group companies to Germany which accounted for sales in 2009 of € 3.0 million (previous year: € 4.8 million).

In the current financial year 2010, from today's perspective, the Executive Board expects sales approximately at the level of the previous year for the Group's German activities – in view of the ongoing difficult regulatory and competitive framework conditions in the German generics market. Operating profitability of German sales activities overall, will, from today's perspective, be slightly below the Group average in 2010.

Russia

In **Russia,** which continues to be STADA's second biggest national market, the Group recorded in financial year 2009 – despite the difficult economic situation there – pleasing sales growth in the amount of 26% in local currency. In euro, Russian sales increased by only 5% to € 191.9 million (previous year: € 183.4 million), since, as compared to the corresponding period in the previous year, the average exchange rate of the Russian ruble in 2009 to the euro was significantly weaker.

Overall in 2009, STADA achieved a market share of approx. 2.5% in the Russian pharmaceutical market (previous year: approx. 2.4%), thus taking position 2 among the local Russian pharmaceutical companies.[1)]

The two core segments in the Russian market continued to have nearly the same share of local Group sales. Sales of generics thus amounted to € 86.8 million (previous year: € 84.8 million) or 45% of STADA's sales in Russia (previous year: 46%). Sales of branded products amounted to € 104.5 million (previous year: € 97.2 million) or 54% of STADA's local sales (previous year: 53%).

The demand structure of STADA's Russian business continues to be characterized by self-pay patients with whom, directly or indirectly via wholesalers, approx. 88% of Russian sales are generated. In 2009, only approx. 8% of STADA's Russian sales were achieved in the scope of the state program for the reimbursement of costs of selected drugs for individual groups of the population (DLO program); in addition, approx. 4% of sales were generated directly or indirectly with other state clients, in particular also via tenders.

Operating profitability in Russia was, as expected, above Group average in the reporting year.

1) STADA estimate based on data from RMBC (Research Marketing Business Consulting, local Russian market research institute; taken over by IMS in 2009) at ex-factory prices.

On November 18, 2009, the Russian STADA subsidiary OAO Nizhpharm, Nizhny Novgorod signed a purchasing contract for a package of five Russian branded products with a focus on the gynecology area of indication (see "Business and General Conditions – Acquisitions and Disposals"). The sellers were the three companies Cyprus Dipaka Trading Limited, Limassol, OOO Mir-Pharm, Obninsk, and ZAO Obninsk Chemical and Pharmaceutical Company, Obninsk. The price is composed of a basic amount of approx. € 15 million plus later additional compensation depending on product success in the future. In 2009, the last full financial year before the takeover, sales generated with these products amounted to a total of approx. RUB 290.3 million (approx. € 6.6 million). It is planned that sales responsibility will be assumed in the second quarter of the current financial year 2010.

For the current financial year 2010, STADA continues to expect strong sales growth in local currency in the Russian market with operating profitability which continues to be above Group average.

The further development of the currency relation of the Russian ruble to the euro will continue to have a significant influence on the translation of sales and earnings of the Russian business into the Group currency euro; sales and earnings contributions of the Russian business activities at Group level are largely dependent on this.

In the context of the Group-wide "STADA – build the future" project for the optimization of Group structures (see "Business and General Conditions – Business Model, Core Segments, Structural Environment – Current Group project "STADA – build the future" as well as "Business and General Conditions – Procurement and Production" and "Earnings Situation – Development of Earnings and Costs"), the implementation phase for an essential sub-project in Russia was started in the fourth quarter of 2009. From this Russian sub-project alone, successively increasing savings should be achieved over the course of the implementation which, once all measures have been completed, are expected to add up to more than € 10 million per year. In the course of 2010, reasonable investments in the single-digit million area will create the operational requirements for this purpose.

Belgium

In **Belgium**, sales recorded by STADA increased by 14% to € 125.7 million in the reporting year (previous year: € 110.7 million). In addition to new product launches, the Group benefited here especially from a moderate regulatory stimulation of generics prescriptions introduced at the beginning of 2009.

In the reporting year, generics continued to make the largest contribution to Group sales in Belgium. Generics sales generated by STADA in the Belgian market thus recorded an increase of 14% to € 120.2 million (previous year: € 105.7 million) in 2009. Generics thus contributed 96% to local sales in 2009 (previous year: 95%). With a market share of approx. 48.9% (previous year: approx. 47.8%), the Belgian STADA subsidiary continued to be the clear local market leader in the generics market there.[1)]

1) STADA estimate based on IMS Health data at ex-factory prices.

Branded products, which STADA is currently establishing in the Belgian market, recorded sales of € 5.5 million in the reporting year (previous year: € 5.0 million) and had a 4% share (previous year: 5%) in Belgian STADA sales.

Operating profitability achieved in Belgium in 2009 was above Group average and thus better than expected at the beginning of the year.

For the current financial year 2010 – in view of further product launches in the Generics segment – STADA expects a repeated clear increase in sales with operating profitability which is approximately at Group average.

Serbia

In **Serbia**, STADA's sales decreased in financial year 2009 by 6% in local currency. In euro, Serbian sales decreased by 18% to € 118.6 million (previous year: € 144.5 million), and thereby stronger than in local currency because there, as compared to the corresponding period in the previous year, the average exchange rate of the Serbian dinar in 2009 to the euro was significantly weaker.

Local, partly liquidity-related weaknesses in demand as a result of the continuing global financial and economic crisis mainly contributed to this declining sales development in Serbia, particularly in the first quarter of 2009. In addition, in the first quarter of 2009, the Serbian economy as well as local operating business and the Group's production facilities in Serbia were affected by gas shortages as a result of the gas dispute between Russia and the Ukraine. Although there was some business recovery during the course of the year, it could not fully compensate for the overall sales shortfall of 41% in local currency in the first quarter.

The liquidity situation of local wholesalers in Serbia remains tense due to the macroeconomic framework conditions of the global financial and economic crisis. As a result, value adjustments of the Group's existing accounts receivable in Serbia in the net amount of € 4.5 million before or € 4.1 million after taxes were made in 2009, which have been classified as part of a one-time special effect by STADA (see "Earnings Situation – Development of Earnings and Costs"). In this context, the local management continues to implement appropriate measures in order to limit the default risk of the Group, including for example also arranging transfers of physical securities. It can, however, not be ruled out that the local Serbian subsidiaries will also have to deal with payment difficulties on the part of local wholesalers in the current financial year 2010.

The Serbian STADA subsidiary continues to be the local market leader in the Serbian pharmaceutical market with a market share of approx. 18.7% (previous year: approx. 20.5%).[1)] In 2009 generics thus contributed € 91.1 million (previous year: € 114.9 million) or 77% (previous year: 80%) to local sales. In the Branded Products segment, sales in the reporting period amounted to € 9.0 million (previous year: € 6.7 million); its share of STADA's local sales was thus 8% (previous year: 5%).

1) STADA estimate based on IMS Health data at ex-factory prices.

In 2009, STADA increased its shares in existing majority shareholdings of Hemofarm Sabac d.o.o., Serbia, which is fully consolidated in the STADA Group, from the previous 96.55% to the current 100% (see "Business and General Conditions – Acquisitions and Disposals").

Taking this above-mentioned one-time special effect into account, operating profitability in the subgroup[1)] managed from Serbia, was, in accordance with the original expectations, above Group average in the reporting year.

For 2010, the Group in Serbia expects – provided there is adequate liquidity at Serbian wholesalers – approximate sales stability in local currency. Operating profitability of the subgroup, whose operative management is carried out from there, is expected to be about or slightly above Group average, to which further cost reductions in the operating business activity are expected to contribute. In view of this, this subgroup is also expected to be a focus for measures to improve earnings in the context of the Group-wide "STADA – build the future" project for the optimization of Group structures (see "Business and General Conditions – Business Model, Core Segments and Structural Environment – Current Group project "STADA – build the future" as well as "Earnings Situation – Development of Earnings and Costs").

Also, in 2010, the sales and earnings contributions of this subgroup will largely depend on the development of the currency relation of the local currency, the Serbian dinar, in which the subsidiary consolidates all results, to the euro.

Italy

In Italy sales decreased in 2009 by 6% to € 117.1 million (previous year: € 124.2 million); adjusted, sales were 1% percent below the level of the previous year.

Thus, generics in Italy were exposed to contradictory developments in the reporting year. Margin pressure caused by intensive price competition was further strengthened by regulatory price decreases in April 2009. At the same time however, the newly introduced limitations on discounts for the trade channels made themselves noticed in terms of improvements in margins and volumes. Against this backdrop, the Group's generics sales in Italy in 2009 fell by 15% to € 67.5 million (previous year: € 79.0 million); adjusted, the sales decrease of generics in Italy amounted to only 4%. Generics thus contributed 58% to local sales in the reporting year (previous year: 64%). With a market share of approx. 15.2% (previous year: approx. 16.6%), STADA occupied position 3 in the Italian generics market in 2009.[2)]

The Branded Products segment in Italy recorded – under consideration of the acquisitions and disposals made there (see "Business and General Conditions – Acquisitions and Disposals") – an increase in sales of 10% to € 49.5 million in financial year 2009 (previous year: € 45.2 million), thus contributing 42% (previous year: 36%) to STADA's Italian sales. Adjusted, sales growth amounted to 4%.

1) The subgroup managed from Serbia includes Serbia along with other countries mainly in the CEE area and parts of the STADA business in the Russian Federation as well as their export activities. For purposes of tax optimization, in 2009 the subgroup was transferred from STADA Arzneimittel AG to a Group-owned Dutch holding company.

2) STADA estimate based on IMS Health data at ex-factory prices.

Operating profitability of STADA's Italian activities in the reporting year was, as expected, again approximately at Group average.

Moderate sales growth with an operating profitability which will again be at about Group average can, from today's perspective, again be expected overall in Italy for the current financial year 2010.

France

In **France**, sales achieved by STADA decreased by 10% to € 82.4 million in the reporting year (previous year: € 91.4 million). In view of the continued difficult environment in the French market, in particular high discounts, STADA deliberately accepted sales declines here for the benefit of adequate operating profitability, which however continued or will continue, as planned, to be below Group average both in the last financial year and also in the future.

In financial year 2009, STADA's French sales company continued to generate 94% (previous year: 95%) of local sales amounting to € 77.7 million (previous year: € 86.6 million) with generics. Overall in the reporting year, STADA's French subsidiary achieved a market share of approx. 4.3% (previous year: approx. 5.1%) and occupied position 8 in the French generics market in the reporting year.[1)]

With € 4.7 million (previous year: € 4.7 million), Branded Products in the French market in 2009 had a share in Group sales of 6% (previous year: 5%).

For the current financial year 2010, STADA expects to be able to approximately maintain sales stability in the French market. Increasing expansion of the product portfolio as well as an aggressive price policy is expected to contribute to this also.

Spain

In **Spain**, sales of the local STADA sales company increased – despite ongoing strong discount competition as well as regulatory-related price reductions – by 12% to € 73.9 million in 2009 (previous year: € 65.9 million).

With sales in the amount of € 67.2 million (previous year: € 58.9 million) and a share in STADA's Spanish sales of 91% (previous year: 89%), Generics continued to be the significantly larger core segment in Spain in the reporting year. With a market share of approx. 8.7% (previous year: approx. 8.2%) STADA occupied position 3 in the Spanish generics market in the reporting year.[1)]

With sales of € 6.7 million (previous year: € 6.8 million) Branded Products contributed 9% (previous year: 10%) to STADA's sales in the Spanish market in 2009.

1) STADA estimate based on IMS Health data at ex-factory prices.

Against the backdrop of the difficult framework conditions in the Spanish generics market, STADA, as expected, achieved a positive operating profitability in financial year 2009, although it was below Group average.

STADA expects moderate sales growth in Spain in financial year 2010. The Group expects this growth to be due to further product launches in generics as well as branded products. In view of continuing strong discount competition, STADA expects operating profitability to continue to be below Group average for the Group's Spanish activities overall.

United Kingdom

In the **United Kingdom**, sales decreased, as expected, by 44% in local currency or by 49% in euro to € 51.3 million in the reporting year (previous year: € 100.9 million).

The decline was primarily due to the planned sale and associated deconsolidation as of August 31, 2008, of the British Forum Products division, which was not one of the core segments of the STADA Group.[1)] Currency effects also contributed to the reduction in sales in the Group currency euro. After deducting the sales changes due to this disposal as well as the currency effects, the adjusted sales decrease for the UK in financial year 2009 amounted to 8% and was primarily due to intensified price competition in generics in particular.

Operating profitability of the British business was, however, above Group average in 2009 and was thus better than originally expected.

This was due in particular to the contribution of branded products, which with € 33.8 million (previous year: € 35.1 million) achieved a share of 66% (previous year: 35%) in British sales. With generics, for which STADA is not positioned as a full-portfolio provider in the United Kingdom but rather as a niche provider of selected generics with only a few active pharmaceutical ingredients, the Group achieved sales in the United Kingdom in 2009 in the amount of € 17.5 million (previous year: € 25.2 million) and thus a 34% share of local sales (previous year: 25%).

For the current financial year 2010, the Executive Board expects moderate sales growth in the local currency in the United Kingdom. From today's perspective, operating profitability is expected to remain above Group average. However, at Group level sales and earnings contributions of the British business will remain influenced by the currency relation of the British pound to the euro also in 2010.

The Netherlands

In the **Netherlands**, sales declined by 8% to € 38.2 million in 2009 (previous year: € 41.3 million). Sales adjusted for commercial activities abandoned in mid 2008 decreased by 3% in the reporting year.

1) In financial year 2008 this disposed Forum Products division achieved a low-margin sales contribution in the amount of € 48.6 million up to its deconsolidation as of August 31, 2008, thus contributing 3.0% to STADA's Group sales.

In the Netherlands, the Group achieved sales of € 23.9 million in 2009 from generics (previous year: € 26.8 million). This corresponds to a share of local Group sales of 62% (previous year: 65%). With a market share of approx. 5.8% (previous year: approx. 6.0%) STADA occupied position 5 in the Dutch generics market in 2009.[1)] The generics market in the Netherlands is increasingly characterized by tenders, which cause considerable margin pressure. The local sales company took part in such tenders using various bid strategies and with varying outcomes in terms of winning awards.

With branded products, STADA generated sales of € 14.3 million (previous year: € 12.6 million) in the Netherlands in the reporting year. This segment thus contributed 38% (previous year: 30%) to STADA's Dutch sales.

In financial year 2010 – with ongoing difficult market conditions – STADA expects sales in the Netherlands at the level of the previous year. Due to the continuation of the intensive competitive situation, operating profitability is expected to be below Group average in 2010, as in 2009.

Denmark

In **Denmark** sales increased by 40% in the local currency or by 40% in euro to € 25.9 million in the reporting year (previous year: € 18.5 million).

A contribution to the growth in sales was made by the acquisition of the Danish company Dermalog ApS in January 2009, which was merged with the local STADA sales company immediately after the acquisition (see "Business and General Conditions – Acquisitions and Disposals"). The product portfolio of Dermalog comprises a series of branded products in the skin care area, thus allowing STADA to enter the branded products segment in the Danish health care market. The contribution of the Dermalog products to Group sales in 2009 was € 0.7 million.

Sales in Denmark adjusted for acquisition effects and currency influences increased by 36% in 2009. This was due in particular to the expansion of the parallel imports business, which is part of commercial business and is traditionally pursued by the local STADA sales company in Denmark. Sales from commercial activities in Denmark increased by 50% to € 22.0 million (previous year: € 14.7 million).

In Denmark, STADA achieved sales of € 2.8 million from generics in 2009 (previous year: € 3.1 million). This represents a share of local Group sales of 11% (previous year: 17%). With a market share in the amount of approx. 2.3% (previous year: approx. 2.3%), the local STADA subsidiary occupied position 10 in the Danish generics market in 2009.[1)]

Sales from branded products in Denmark increased – primarily acquisition-related – by 47% to € 1.1 million (previous year: € 0.7 million). This gave branded products a share of local Group sales of 4% (previous year: 4%).

1) STADA estimate based on IMS Health data at ex-factory prices.

Operating profitability in the Danish market in the reporting year was, as planned, below Group average, as local activities predominantly include commercial business with the usual low margins.

In the current financial year 2010, on January 15, 2010 the Danish STADA subsidiary purchased a portfolio of mainly branded products with a focus on the antibiotics area of indication with eight pharmaceutical active ingredients (see "Business and General Conditions – Acquisitions and Disposals" as well as "Supplementary Report"). The seller was NordMedica A/S, Copenhagen. The purchase price was € 4.8 million. In 2009 sales with these products amounting to approx. € 2.2 million were achieved under the former owners. The acquired product package has contributed to the STADA Group sales and earnings since January 18, 2010.

For the current financial year 2010, the Group expects a further increase in sales in Denmark, with operating profitability which continues to be below Group average.

Development in other European markets

In **Ireland**, sales in 2009 decreased by 21% to € 20.1 million (previous year: € 25.3 million) as expected. The reason for this was primarily the planned sale and associated deconsolidation as of August 31, 2008, of the British Forum Products division, which was not one of the core segments of the STADA Group, which also included Irish sales (see "Development of Segments – Information by Region – United Kingdom"). By deducting these sales contributions, adjusted sales in Ireland in 2009 were 1% above the level of the previous year.

In the **Ukraine**, despite the difficult local economic situation, STADA recorded a considerable increase in sales in 2009 in the local currency in the amount of 64%. Sales in euro increased by 15% to € 19.7 million (previous year: € 17.1 million).

In **Austria**, STADA increased sales in the reporting year by 5% to € 15.3 million (previous year: € 14.5 million). This was based primarily on further expansion of the Group's local generics activities, particularly through product launches.

In **Bosnia-Herzegovina** sales in local currency declined by 22% in financial year 2009; in euro, sales also decreased by 22% to € 14.8 million in the financial year 2009 (previous year: € 19.0 million). The focus of local business activities continues to be on the Serbian-oriented part of the country. In the reporting year, STADA raised its stake in existing majority shareholdings of Cajavec sistemi upravljanja A.D., Bosnia-Herzegovina, by an increase of the stake of the STADA subsidiary Hemofarm from the previous 96.78% to the current 97.70% (see "Business and General Conditions – Acquisitions and Disposals"). Cajavec sistemi upravljanja is currently non-operational.

In the **Czech Republic**, sales went up by 30% in local currency or by 23% in euro to € 12.2 million in 2009 (previous year: € 10.0 million).

In **Portugal**, STADA reported a sales increase of 24% to € 11.3 million in 2009 (previous year: € 9.1 million).

In **Montenegro** sales declined by 18% to € 6.0 million in 2009 (previous year: € 7.3 million).

In **Bulgaria**, sales increased by 4% in local currency or by 4% in euro to € 6.1 million in the reporting year (previous year: € 5.9 million). The main reason for the increase in sales was the start of an own national STADA sales company in the first quarter of 2009.[1)]

In **Slovakia**, sales increased by 17% to € 5.7 million in the reporting year (previous year: € 4.9 million).

In **Finland**, sales declined by 44% to € 5.1 million in financial year 2009 (previous year: € 9.2 million); the sales reduction was primarily due to technical reasons through the transfer of the sales logistics there to a consignment warehouse.

In **Sweden**, sales increased in financial year 2009 by 64% in local currency or 50% in euro to € 4.8 million (previous year: € 3.2 million).[1)]

In **Romania** sales went up by 53% in local currency or by 33% in euro to € 4.1 million in the reporting year (previous year: € 3.0 million).

In **Poland**, sales in the amount of € 3.4 million were achieved in 2009 (previous year: € -0.3 million). Here, the start of an own national STADA sales company in the first quarter of 2009 was noticeable.

In **Macedonia**, in financial year 2009 sales in both local currency and euro with € 2.7 million (previous year: € 2.7 million) were at the level of the previous year.

In addition, the STADA Group continued to be active in a further 14 European countries in the context of **export activities** thereby generating sales in the total amount of € 13.0 million (previous year: € 14.8 million) in financial year 2009.

Development in Asia

In the Asian countries overall sales declined by 3% to € 45.9 million (previous year: € 47.2 million) in 2009 (see “Earnings Situation – Development of Sales”). Adjusted, however, for portfolio changes and currency effects, STADA’s Asian sales increased by 18%.

In the **Philippines** sales rose by 10% in the local currency or 8% in euro to € 12.1 million (previous year: € 11.1 million).

In **Vietnam**, the local STADA sales company continues to operate within the framework of a 50:50 joint venture (JV) with a local partner, MST Trading Pharmaceutical Company Limited. The sales share thus consolidated by STADA in

1) Currently not consolidated.

2009 on a pro rata basis increased by 35% in the local currency or by 31% in euro to € 9.8 million (previous year: € 7.5 million).

STADA is currently examining whether and when existing options to change share ownership in the Pymepharco Joint Stock Company can be exercised. As of the balance sheet date STADA held 11.2% in Pymepharco from an investment in 2008.

In **Kazakhstan**, sales generated by STADA increased by 36% in the local currency or in euro by 17% to € 8.0 million (previous year: € 6.9 million).

In **Thailand**, sales in the local currency were at the previous year's level; in euro sales increased by 2% to € 2.2 million (previous year: € 2.2 million).

In **China**, sales went down by 72% in the local currency or by 70% in euro to € 2.0 million (previous year: € 6.8 million). The adjusted sales decrease was 9%.

In view of the overall unsatisfactory sales and earnings levels of the Chinese business, on October 26, 2009, STADA signed a contract for the disposal of non-core activities in China and sold the 51% share in Health Vision Enterprise Ltd., Hong Kong, China, to two companies. Health Vision Enterprise Ltd. is primarily active in the area of commercial business which, as is known, is not part of the Group's core business. The agreement provides for staggered payments of the purchase price in the total amount of approx. € 4.2 million. In the context of the sale, STADA achieved a moderate book profit in the amount of € 2.2 million. Due to lack of material significance Health Vision Enterprise Ltd. was deconsolidated from the Group already as of January 1, 2009.

In the reporting year STADA also pursued **export activities** in a further 19 Asian countries.

Development of exports

In 2009, STADA also achieved, in addition to sales from local sales companies in the individual national markets, export sales in the reporting year, which were achieved by various sales companies, particularly however by the Serbian subgroup. In the context of global export activities in a total of 43 countries, the Group generated sales of € 46.6 million in financial year 2009 (previous year: € 35.9 million).

The regional breakdown of export sales in 2009 was as follows:

- Exports to European countries € 13.0 million (previous year: € 14.8 million)
- Exports to Asian countries € 11.6 million (previous year: € 12.7 million)
- Exports to American countries € 14.5 million (previous year: € 5.7 million)
- Exports to African countries € 7.1 million (previous year: € 1.6 million)
- Exports to the rest of the world € 0.2 million (previous year: € 1.1 million)

RISK REPORT

Introduction

Within the framework of a company's business activities, it is impossible to avoid risks completely because, in business processes, opportunities and risks are generally inseparable. However, the risks taken must be proportionate to the expected benefit from the relevant business activity. In this Risk Report from STADA Arzneimittel AG, the instruments available to identify and assess such risks for the STADA Group and which essential risk areas or risks are thereby identified by the Executive Board are shown.

Risk management system

STADA has an established and ongoing risk management system. The goal of this risk management system is to identify relevant risks for STADA, assess their effects on STADA and identify possible counter measures so that suitable measures can be initiated in due time, if necessary.

STADA's risk management system covers STADA Arzneimittel AG and all Group companies in which STADA holds a stake of at least 50% – summarized in the text of this Risk Report as STADA. Insofar as recognizable risks to the Group arise at subsidiaries in which STADA holds a stake of less than 50%, these risks are also recorded in the Group's risk management system.

STADA's risk management system identifies and evaluates both general business risks and specific risks in connection with the relevant form of the business activity systematically and regularly. On the basis of this information, the Executive Board and management can make a business decision on whether individual risks are proportionate to the expected benefit from the relevant business activity or if, potentially, measures must be undertaken to minimize the risks.

The structure of STADA's risk management system did not change in the reporting year 2009. The Group's risk management system is centrally operated by the risk management department which reports directly to the Executive Board and is regularly reviewed for effectiveness and suitability. A Group-wide standardized risk reporting and messaging system is used to identify both significant risks and risks that may jeopardize the continued existence of the Company. In addition, the local risk officers present written and oral reports to give a clear picture of the current risk situation of the Group.

In assessing risks, STADA also relies on the experience with the respective business activities that exists within the Group. STADA also makes use of the risk management software R2C (Risk to Chance) for the surveying and evaluating of business risks.

The resulting risk report, which is prepared on a quarterly basis, is regularly submitted to the Executive Board; essential risks are discussed by the Executive Board and Supervisory Board and, if required, measures to minimize risks are addressed. Any new significant risks that appear in the meantime within the scope of the risk-management system are reported immediately to the Executive Board and, if necessary, the Supervisory Board; for individual, potentially high-risk business processes such as tender processes with significant sales and earnings importance, the Group's risk management also accompanies the operational implementation in an observational role.

The Group's auditor has reviewed STADA's risk management system and confirms that the system is in compliance with statutory requirements.

Main features of the internal control and risk management system with regard to the Group financial reporting process (disclosures pursuant to Section 315 (2) no. 5 of the German Commercial Code [HGB])

STADA has a **Group-wide control system with regard to the financial reporting process**, which is based on the principles, procedures and measures introduced by the Executive Board under its own responsibility, to ensure the effectiveness and efficiency of business activities in the financial reporting process, the correctness and reliability of financial reporting and compliance with the relevant intragroup provisions. This also includes the internal auditing system, insofar as this relates to financial reporting.

The objective of STADA's internal accounting-related control system is to ensure the accuracy and reliability of financial reporting (bookkeeping, annual or consolidated financial statements and Management Report) by implementing appropriate and effective provisions and controls. Like the Group's risk management system, this involves the combination of central system organization and control as well as local responsibility for individual sub-processes.

Standard software is primarily used for the Group's most important accounting processes (for example, "SAP ERP" for the separate financial statements and "SAP SEM-BCS" for the consolidated financial statements); the primary control function here is carried out by the plausibility tests contained in the respective programs. The software systems used are protected against unauthorized access by appropriate IT systems.

In addition, outside the software systems, manual plausibility tests and verification of the completeness and accuracy of data and calculations are carried out at all Group levels. Group-wide, standardized monthly reporting thus allows year-to-date target/actual deviations to be detected promptly. All separate financial statements of Group companies, which are included in the Group consolidation, are subject at least once a year to an audit by STADA's auditor. This auditor also carries out a review of STADA's half-year report.

By employing qualified personnel, providing regular training and advanced training, adhering to the dual control principle in controlling, in financial accounting and in the Group Accounting department, as well as continuously monitoring via sample audits, bookkeeping data received and transferred with regard to completeness and accuracy,

STADA guarantees that the separate financial statements and the consolidated financial statements consistently comply with national and international financial reporting requirements.

The functions of the departments significantly involved in the financial reporting process, the “Group Accounting” department for the consolidated financial statements and the “Accounting” department for the separate financial statements are organized separately within the finance department. STADA additionally has departments which report directly to the Executive Board, “Internal Auditing” and “Risk Management”.

Finally, the Supervisory Board, as a controlling body, is also regularly involved with the most important issues relating to financial reporting, risk management, audit contracts and their main focus as well as with the effectiveness of the established internal control system of the STADA Group. The Executive Board reports at regular intervals to the Supervisory Board and the Audit Committee on all areas of financial reporting. Furthermore, the auditor reports to the Supervisory Board any important weaknesses of the accounting-related internal control and risk management system, if these are determined in the context of the audit.

The **Group-wide risk management system with regard to the Group financial reporting process** is part of STADA’s comprehensive Group-wide risk management system.

The accounting-related part of this risk management system aims to identify relevant risks for the Group, assess their effects on STADA and identify possible counter measures so that suitable counter measures can be initiated in due time, if necessary.

STADA’s risk management system is centrally operated by the risk management department, which reports directly to the Executive Board and is regularly reviewed for effectiveness and suitability. Thereby, a Group-wide standardized risk reporting and messaging system is used to identify both significant risks and risks that may jeopardize the continued existence of the Company. In addition, the local risk officers present written and oral reports to give a clear picture of the current risk situation of the Group. In assessing risks, STADA also relies on the experience with the respective business activities that exists within the Group. In addition, STADA makes use of the risk management software R2C (Risk to Chance) for the surveying and evaluating of business risks. The resulting risk report, which is prepared on a quarterly basis, is regularly submitted to the Executive Board; essential risks thereof are discussed by the Executive Board and Supervisory Board and, if required, necessary measures to minimize risks are addressed (see more detailed information in this Risk Report).

The extent and focus of the established control and risk management systems with regard to the financial reporting process thus comply in full with STADA’s company-specific requirements. In the view of the Executive Board, STADA has an appropriate and adequate monitoring system, which includes the components necessary for the Group of an internal control and risk management system with regard to the financial reporting process; but nevertheless, it can-

not be completely ruled out that some relevant risks may not be recognized or incorrectly assessed or that the response to risks may be inadequate.

Categories of risks and period of prognosis

From the STADA Executive Board's current perspective, anticipated risks to the Group's business activities particularly include the risks stated below, summarized according to risk categories in this context. On principle, for this Risk Report the period up to the end of the next financial year is taken as period of prognosis, to the extent that no other period is stated in individual cases. It can, however, on principle not be ruled out that further, also essential risks will arise in the development of business during the period of prognosis which can add up to the risks stated in the following.

Regulatory risks

Generally, every business activity, also STADA's, is influenced by the regulatory environment; associated with this is the risk that this environment changes in a materially adverse way.

For STADA, this particularly applies to regulations pertaining to the public health care system in individual countries and to the market structures characterized by this. Thereby, regulations in the health care system are based on regulations such as laws or directives which are enacted by the respective national state and/or supranational structures, in particular also by the European Union and/or are repealed or modified by means of judicial decisions. Therefore, there is a risk for the Group which is inherently linked to STADA's business model, that changes to or the removal of existing regulations or the passing of new regulations on a national or supranational level, particularly on the EU level, may have a materially adverse impact on relevant market structures and thus affect the business activities of STADA in a materially adverse manner.

STADA's national sales structures in individual markets, for instance, are geared to local regulatory conditions with regard to the marketing, sale and trade of drugs and other products, which vary from one country to another and which, in addition, can partly be subject to supranational influences. As a result, investments that rely on the continuation of existing market structures may prove worthless and existing market positions may be jeopardized if the government or supranational regulations which determine these market structures change.

Often, national regulations also directly (e.g. through statutory price reductions) or indirectly (e.g. through reference prices, mandatory discounts, terms or requirements concerning discounts, creation of framework conditions stimulating more intense competition) regulate the prices of products, particularly of drugs or they are influenced by supranational regulations. Should STADA therefore be compelled to initiate price reductions, specific tax payments or

mandatory discounts, new, additional or increased discounts – especially in the scope of discount agreements – or to other direct or indirect margin-reducing measures, this will have a materially adverse impact on STADA's earnings situation, unless such measures serve at the same time as a balancing factor via a stimulation of units sold, improvements of earnings or lowering costs. This also applies in the event that drugs or other products are classified as non-reimbursable under the respective national social security systems. Regulatory interventions that directly or indirectly give increased purchasing power to individual customers or customer groups (such as for example doctors, pharmacists, patients, health insurance organizations, buying groups, pharmacy chains, wholesalers, mail-order companies) or which lead to changes in purchasing behavior (such as through regulations on the substitution of doctors' prescriptions in pharmacies, specific demand-regulating co-payment regulations for patients, legally promoted target price agreements between individual market participants, the regulation of margins and/or discounts in individual distribution channels such as for pharmacies or wholesalers, bonus-malus provisions and/or quotations for the selection of drugs through doctors and/or pharmacies and/or other demand relevant market participants, changes in the ownership structure of doctors' practices and/or pharmacies as well as requirements for specific distribution channels and trading margins for individual products or product groups) could also have materially adverse effects on STADA.

Additionally, in other areas of its own business processes STADA's business activities are also subject to risks from national or supranational regulations. This is particularly applicable to regulations in the areas of pharmaceutical laws (see "Risks for the existence of the current product portfolio" as well as "Product portfolio expansion risks"), commercial property rights (see "Product portfolio expansion risks"), and legal principles – particularly in terms of fiscal laws – of national and international business (see "Corporate strategy risks" as well as "Legal risks"). Here too, unfavorable regulatory changes can arise which have materially adverse effects on business activities of the Group and/or individual subsidiaries.

Accurate predictions concerning the introduction and scope of potential changes in national or supranational regulations as well as their effects on the market structures and/or business processes which are of relevance for STADA are not possible since the introduction and scope of such regulations depend on the political process of the country in question or on court decisions and after such regulations have become effective, the consequences are also influenced to a large degree by the reactions of the market participants affected.

Risks for the existence of the current product portfolio

Generally there is the risk that due to unexpected events products launched by a company, including those from STADA, can, contrary to plans, not be sold any longer or only to a limited degree.

Particularly for drugs which comprise a major part of STADA's portfolio, new scientific findings or evaluations can, for example, lead to a less favorable risk-benefit analysis. Measures that may be taken by the Company itself or by

the authorities in such cases can temporarily or lastingly restrict the marketing of affected products or terminate it. Such measures can, for example, extend from recalling specific batches, strengths or dosage forms from the market to suspending, returning, restricting or withdrawing relevant approvals.

Within STADA's product portfolio, such risks exist particularly for the so-called biosimilar products (see "Business and General Conditions – Product Development") since biosimilar products are a still new product category of drugs. Therefore, as is the case with any new product category of drugs, for biosimilar products, too, a higher risk of new contraindications, side effects and/or interactions not visible with the lower sample sizes in the clinical studies required for approval must be assumed in the beginning after the initial launch due to the then growing number of cases of patients treated. If new contraindications, side effects and/or interactions occur, leading to a less favorable risk-benefit analysis including associated aforementioned consequences, this might foil, significantly affect or make the market success of biosimilar products which are relevant for the Group financially less attractive than expected. As a result, investments by STADA that rely on the market success of these products may prove entirely or partially worthless, bank guarantees to third parties may become payable and credits to third parties may have to be entirely or partially written off.

Non-drugs in the STADA product portfolio such as medical products, cosmetics, and other products that do not require prior approval as well as services offered by the Group may also be affected by new scientific findings or evaluations, which could lead to a restriction or cessation or prohibition of further sales.

The discovery of new or initially hidden quality defects as well as regulatory or state requirements for products from the Company's current product portfolio may also lead to a restriction or cessation or prohibition of further sales.

Moreover, the Group's existing product portfolio is subject to the risk that framework conditions in pharmaceutical legislation or other provisions relevant for the existence of the product portfolio can be changed through national or supranational regulations that affect STADA in a materially adverse manner. In addition, changes to national or supranational regulations can render the sale of individual products of the Group legally impossible or uneconomical.

Finally, risks that arise from other risk categories in this Risk Report can, in general, also lead to risks for the existence of the current product portfolio, for example when, through flawed operating activities (such as the failure to meet deadlines), the legal basis for sales (e.g. approvals) is in danger of being lost.

Risks in connection with the further expansion of the product portfolio

Generally, for any company, also for STADA, the continuous expansion of the product portfolio plays an essential role in corporate success. Associated with this is the risk that due to unexpected events and/or the faulty implementation of activities preparing market entry – such as product development and approval – products are, contrary to plans, not or belatedly or only at higher development and/or production costs than originally assumed launched on the market.

As a rule, drugs, which account for the by far largest part of STADA's product portfolio, may only be brought to market with product-specific approval from the responsible national or supranational authorities. Product market entry can be delayed considerably, increase in cost, become unprofitable or be prevented as a result of the extensive efforts required in preparing approval documentation as well as the lengthy approval processes. Additional requirements imposed by the relevant approval authorities may also lead to a situation in which STADA is unable to develop or market a new product at all, as intended or can do so only at clearly higher costs than originally expected. In some countries, some or all drugs are subject to direct government price controls or require additional approvals for reimbursement via the relevant national social security system. The launch of a drug affected by a lengthy process of initial pricing or reimbursement approval may be delayed considerably for STADA in these countries; unfavorable prices or reimbursement rules can make the marketing more difficult, less profitable or unprofitable.

In addition, meticulous observance of relevant legislation is extremely important for the development and approval of every individual product. For generics, this also particularly applies to a great extent to the observance of commercial property rights (such as patents, SPCs and "data exclusivity"). If individual legislative requirements are violated, the result may be a delay or even prevention of the launch of a new product due to legal steps taken by competitors or rejection by the approval authorities. To the extent that STADA has offered products by assuming legal clearance and in the course of court decisions it turns out that this assumption was wrong, there is the risk that STADA has to take launched products at significant costs from the market, write down and destroy inventories which had existed already and those taken back as well as meet significant damage claims if commercial property rights were infringed.

Moreover, when expanding the product portfolio, the Group is subject to the risk that framework conditions in pharmaceutical legislation or provisions concerning commercial property rights or other provisions that are relevant for the expansion of the product portfolio can be changed through national or supranational regulations in a way that affects STADA in a materially adverse manner.

Finally, risks that arise from other risk categories in this Risk Report can, in general, also lead to risks for the development of the current portfolio, for example when, through competitive activities the promising marketing of a new product must be questioned prior to the launch of the product.

Environmental and industry risks

Generally, every business activity, also STADA's, is subject to specific risks of the competitive environment and the industry which can result in deviations from what actually occurs as compared to the planned business development.

The health care and pharmaceutical markets in which STADA operates are highly competitive. In addition, competition is thereby partly also stimulated in a targeted way in individual national markets by means of regulatory measures (see "Regulatory risks").

Some competitors within the industry possess considerably more financial and organizational resources, production capabilities, sales strengths, and/or market power than STADA. In addition, new competitors may appear in all markets where STADA is active. Effective market activities on the part of competitors, e.g. in terms of pricing, product range and scope of service as well as delivery and discount conditions, may be to the distinct detriment of STADA's business success. In the context of such market-effective activities competitors may also accept targeted losses in specific market segments, for individual products, or in certain subsidiaries, in order to safeguard or expand their own competitive position. This is particularly true with regard to potential price and/or discount and/or condition wars with competitors, given the intense competition in the Generics segment which is STADA's larger core segment, especially if these competitors can offer the products at lower cost and/or in improved dosage forms.

It is also possible that the increased purchasing power of individual customers or customer groups (such as doctors, pharmacists, patients, health insurance organizations, buying groups, pharmacy chains, wholesalers, mail-order companies) or regulatory measures (such as legal requirements for discount agreements) could intensify competition regarding price, service, and condition terms as well as result in more unfavorable framework conditions of tenders and discount agreements. STADA may therefore be placed before the alternative either to sell at not cost-covering prices in individual national markets or to forego substantial sales. The loss of these sales may then also lead to a further degradation of the earnings situation for existing sales, for example due to a lower utilization of existing capacities or a worsened quantity scale in case of external procurement.

Other specific risks for STADA's competitive environment and the industry relate to the possible loss or the non-consideration in the context of all kinds of tenders such as discount agreements – particularly due to aggressive bidding behavior on the part of competitors. This can be associated with substantial losses in so far existing or planned units sold, sales and earnings. Moreover, this may lead to a situation where created inventories are not needed at all or not in the amount planned, which may result in an impairment and destruction of the inventories.

To make use of opportunities, STADA is principally willing to accept, if necessary, losses in national markets and/or for selected products or product groups, for example in national markets that in the Company's view exhibit major growth potential for sales and/or earnings or the strategic and/or operative necessity for maintaining or expanding

its own market position. These losses may also be higher than anticipated as a result of competition activities, customer behavior or government regulation.

Finally, risks that arise from other risk categories in this Risk Report can, in general, also lead to risks for the development of the current portfolio, for example when regulatory changes in markets or market segments that are relevant for STADA make market entry for additional competitors from other industries fundamentally more easily possible or even attractive.

Corporate strategy risks

STADA's corporate strategy is mainly focused on growth and internationalization in the health care and pharmaceutical market in the core segments Generics and Branded Products. Specific risks are associated with this for STADA.

Thus, in principle every Group's growth strategy, also STADA's, is linked to the risk that associated specific organizational and/or financial requirements are not or not to a sufficient extent operatively met. In the event that the Group's facilities, human resources, internal structures, management tools, or financial resources cannot keep pace with the Group's growth, STADA may be affected in a materially adverse manner.

New companies and products acquired in the past or in the future or acquired or self-created other assets may not be integrated into the Group as planned, or only at higher costs than originally expected, and/or intended synergy effects may not be achieved, or not achieved in the planned amount. Acquired companies or products may not generate the results anticipated in the market. Furthermore, there could be unexpected difficulties in introducing acquired products into new markets or in their maintaining existing market positions. All this could necessitate write-downs on assets.

The implementation of a fundamentally growth-oriented corporate strategy requires significant outside financing. In financing ongoing business activities and, in particular, the intended future expansion, there is an inherent risk that the Group may only be able to obtain capital or loans under disadvantageous conditions, or not at all.

On principle, internationally active companies, such as STADA, face the risk of having to react differently and possibly with substantial effort to legal and fiscal conditions that vary from country to country and are subject to change, to the relevant specific market environment as well as outside of the Euro area to the different currency.

STADA thereby assumes that justified own claims – whether claims towards third parties arising from business transactions or from concluded contracts, or whether claims towards state institutions or administrations from exist-

ing laws or regulations – can principally, in a foreseeable period, be enforced within the laws of a country where STADA undertakes business with affordable costs and without any materially adverse effects on business in this country. If, contrary to expectations, it turns out that in a country where STADA undertakes business this is not the case, this can have materially adverse effects for the business activity in this country, but also for the Group as a whole in case of internationally linked business processes.

In addition, STADA, in the scope of international business activity, takes the opportunity to use transfer payments within the Group. There is no guarantee that the fiscal authorities in individual countries may not take a critical view of the economic parameters taken as a basis for this and impose retroactive tax demands on the Company.

Moreover, there is the risk that conditions which are relevant for the Group's international operating activities – especially the conditions of fiscal laws – may be changed by national or supranational regulations in a way that affects STADA in a materially adverse manner. In addition, in connection with the internationalization, there is the risk that the political conditions in individual countries generally and for STADA or the Group's business activity specifically are changed in a materially adverse manner due, for example, to international tensions or internal political developments in individual countries where STADA does business. Furthermore, parts of STADA's business activities, especially in the areas of product development, sales, procurement and production are related to the USA and are there, in the Company's view, subject to elevated legal risks as compared to other countries, particularly in the areas of liability and patent litigation. These US activities may be associated with substantial additional costs, in particular for legal counseling. The same applies to disputes in the USA resulting from agreements with third parties as well as a violation of confidentiality regarding company and trade secrets.

Furthermore, a principle corporate-strategic risk, also of STADA, is the fact that markets and market segments on which a company strategically focuses develop other than expected. Although STADA undertakes all efforts to carefully work out these expectations, relying thereby also partly on external data and evaluations, assessment errors by STADA, due, for example, to insufficient data available, unexpected regulatory or competitive influences, new technological developments or changed trends in society and macro- and/or micro-economics cannot be ruled out, with which materially adverse effects for the Group or individual subsidiaries can be connected.

In addition, risks that arise from other risk categories in this Risk Report can, in general, also lead to other corporate strategy risks, for example when risks from the current financial and economic crisis lead to limitations in health care and thus to the danger of a significant growth obstacle for companies active in the health care sector, such as STADA, either in individual national markets or globally.

Legal risks

Generally, every business activity, also STADA's, is subject to legal risks. It is, however, STADA's expressed goal that all business processes and Group activities be carried out exclusively within the framework of the respectively valid laws.

To this end, within the scope of the Compliance Management system installed at STADA, all employees are regularly, and adapted to the scale of their individual areas of responsibility, trained and instructed. It can, however, not be ruled out that employees, in the execution of business processes deviating from the Group regulation of full compliance, act, negligently or intentionally, in breach of legal regulations and that the imposition of damages and/or compensation and/or the payment of fines, exclusion from tenders and/or damage to reputation could ensue following the discovery of such legal breaches.

STADA's business activity, in particular in the core segment Generics, is associated with an elevated risk of legal disputes regarding commercial property rights (especially patents and SPCs) as well as allegations of violations of company or trade confidentiality; such disputes may be initiated by third parties against STADA or by STADA against third parties. Such events could result in considerable costs, in particular when such proceedings occur in the USA. Moreover, they may result in significant damage claims and a temporary or permanent ban on the marketing of particular products.

If there is a serious risk of future damage claims, STADA creates product-specific provisions considered to be commensurate with potential damage claims; these provisions amounted to € 2.4 million for the Group as of December 31, 2009 (December 31, 2008: € 15.8 million). In principle, STADA cannot guarantee that such provisions will be sufficient for individual instances or in total.

STADA's business activities engender risks associated with liability claims. Should specific Group products prove to be defective and/or to cause undesirable side effects or should individual services or activities of the Group be carried out in a faulty way, this could result in substantial damage claim liabilities and in the restriction or withdrawal of the product approvals concerned or in the withdrawal of the service approvals. There is no assurance in principle that the insurance policies maintained by the Group, depending on type and scope, will offer sufficient protection against all possible damage claims or losses.

In addition, STADA is subject to specific legal risks as an exchange-listed company. In the case of an actual or even merely alleged violation of applicable law the Company could, for example, be subject to both penalties and damage claims. Such instances may result in substantial additional costs, in particular for legal counsel.

In addition, STADA is subject to a jurisprudence risk which can be levied in a manner that is unexpected and materially adverse for STADA. This risk relates to both those trials in which STADA itself is a participant as well as third-party trials in which judgments may have an indirect, materially adverse impact on STADA and/or the market environment that is relevant for STADA. This applies in particular to decisions relating to competition law, patent law and to the implementation of individual regulatory requirements in the provision of health care at a national and/or supranational level.

Finally, risks that arise from other risk categories in this Risk Report can, in general, also lead to other legal risks, for example when legal framework conditions that are relevant for the Group are changed by national or supranational regulations resulting in the threat of significant materially adverse impacts for the affected business activities for the Group.

Performance-related risks

Generally, with the execution of production processes, manufacturing companies, also STADA, take specific risks. Thus, STADA's own production sites are also exposed to the risk of faulty or inefficient planning and production processes as well as of potential production faults and breakdowns caused by this or by external influences which may have a materially adverse effect on costs, competitiveness, supply availability and the associated expectations regarding units sold, sales and earnings as well as the image with clients. This applies particularly to the drugs and products in the health care market sold by the Group since due to regulation and client demand particularly high requirements regarding product quality and availability are made for this product category.

Although STADA undertakes all efforts to carry out exclusively safe business processes – particularly also in the areas of product development, production and logistics – it can, on principle, not be ruled out that unexpected disruptions occur in the context of such processes, possibly endangering or affecting the health of employees from STADA or third parties, since STADA regularly works with hazardous substances in the development, production and examination of products from the Group portfolio, especially in case of drugs. It cannot be ruled out that the preventive measures and insurances taken do not provide sufficient coverage in case of a damaging event.

External suppliers, contract manufacturers, sales licensees and other contractors have been integrated into STADA's business processes to a considerable extent, particularly in the areas of development, procurement, production, and packaging, logistics as well as sales, though also to an increasing extent in other areas. Furthermore, the Group is taking increasing advantage of the opportunity of having essential Group services performed by third parties, with whom cooperations are entered into. In addition, as of December 31, 2009, STADA had specifically licensed 15,602 German pharmacies (previous year: 15,400) to undertake the final packaging of partially packed products delivered by STADA in their own pharmacies. This license currently applies to four branded products. When third parties are incorporated into the Company's business processes, the risk arises that individual business or cooperation partners

may not comply properly or at all with their obligations or that they may terminate their agreements with the Company, resulting in material adverse effects for STADA. Moreover, STADA could become liable for infringements on the part of business or alliance partners.

STADA is dependent on global developments with respect to purchase prices for active ingredients or auxiliary materials required as well as on the prices negotiated with contract manufacturers in the case of products produced by these companies; these prices may fluctuate significantly, also depending on the product. In addition, to limit the risk of market-related margin losses due to falling selling prices, STADA partly makes use of instruments towards suppliers that involve them in the market price risk such as price escalation clauses linking procurement prices to current selling prices, retroactive negotiations or the agreement of special procurement prices for special sales volumes, in the context of tenders, for example. However, it cannot be ruled out that procurement cost increases and/or supply shortages in the case of individual products will have materially adverse effects on the Group's sales and/or profit margins.

Numerous contracts in the STADA Group include – especially in the areas of product development and production as well as for distribution rights – so-called "Change of Control" clauses, which usually provide both contracting parties, as is usual in the industry, with reciprocal extraordinary termination rights for agreements concluded by the parties in the case that one of the contracting partners becomes subject to a so-called change of control (change of majority shareholder) e.g. after a successful takeover offer. In the case of a change of control in the STADA Group this could result in material adverse effects for STADA if contracting parties make use of such extraordinary termination rights, in particular if the extent of these terminations is beyond individual cases.

Finally, risks that arise from other risk categories in this Risk Report can, in general, also lead to other performance-related risks, for example when regulatory interventions would make a complex reorganization of existing business processes necessary.

Personnel risks

STADA relies heavily on qualified employees. Thereby, a small number of managers is in possession of essential expert knowledge, in particular in management and in product development and approval, in procurement, logistics and production as well as in marketing and sales. The departure of managers from the ranks of Group and/or subsidiary management and/or of employees with specialist knowledge could have materially adverse effects on the Group. The Group's continued success also depends on its ability to attract and keep qualified employees in the future. In its search for qualified employees, STADA competes with numerous other companies, in particular with competitors in the pharmaceutical industry.

It is STADA's expressed goal that all business processes and Group activities be carried out exclusively within the framework of the respectively valid laws. To this end, within the scope of the Compliance Management system installed at STADA, all employees are regularly, and adapted to the scale of their individual areas of responsibility, trained and instructed. It can, however, not be completely ruled out that employees, in the execution of business processes deviating from the Group regulation of full compliance, act, negligently or intentionally, in breach of legal regulations and that such breaches affect the business activities of the Group and/or individual subsidiaries or the business, financial and earnings situation of STADA in a materially adverse manner, e.g. following the discovery of such legal breaches through the imposition of damages and/or compensation and/or the payment of fines, exclusion from tenders or damage to reputation.

Finally, risks that arise from other risk categories in this Risk Report can, in general, also lead to other personnel risks, for example when they are linked to additional damage to the Company's reputation which would thus threaten STADA's attractiveness as an employer.

Information technology risks

STADA uses information technology processes, particularly electronic data processing, extensively in its business processes. Therefore, the Group has to make continuous investments to appropriately adapt these systems to its growing and/or changing business processes. In the event that information technology processes of the Group are nonetheless insufficient and/or inefficient, this could have materially adverse effects on business processes at STADA.

Should electronic data be lost despite extensive backup measures, or should such data be subject to unauthorized access, this could also have materially adverse effects on STADA.

Currently, the gradual conversion of various information technology systems (IT systems) to an integrated SAP system is being carried out in the Group. Generally, when introducing new or converting existing IT systems, there is an elevated risk that unanticipated events occur which, during the initial phase and also during the integration and expansion phase can have materially adverse effects on the course of business processes and thus can influence business activities of the Group and/or of individual subsidiaries in a materially adverse manner.

Finally, risks that arise from other risk categories in this Risk Report can, in general, also lead to other information technology risks, for example when, through regulatory interventions additional complex information technology measures such as an expanded data protection become conditional.

Economic risks

Generally, companies, also STADA, usually also depend on economic influences in their business success, whereby the extent of this dependence can differ strongly, depending on the type of business activity.

At STADA, economic dependence also exists in view of the regulatory risks described above, in particular. An economic downturn regularly increases significantly the cost pressure in national health care systems and thereby potentially the speed and extent of local regulatory measures to contain costs; in this context, for STADA materially adverse forms, particularly for prescription drugs which account for a major part of the portfolio, above all in the Generics segment cannot be ruled out.

Moreover, units sold and sales of those Group products or product lines are particularly sensitive to changes in the economic environment for which the consumer is not reimbursed under the local health insurance system, but bears a major part or all of the costs himself. In the scope of STADA's product portfolio this is true in particular for drugs used for self-medication, for products without a pharmaceutical character as well as for services offered and for prescription drugs in countries without a comprehensive state health care system, such as Russia, the second biggest national market for STADA.

Another material economic risk for STADA lies in the area of corporate finance. Parameters in this area significantly influencing Group success such as financing possibilities, interest rates, inflation rate, currency ratios and client liquidity can be subject to distinct economic influences and thereby also have a material adverse effect on STADA's business success in case of an economic downturn. Furthermore, a liquid financial market for refinancing is an important precondition for STADA's acquisition policy. In case of disruptions of the financial market – no matter whether globally or locally in countries that are important for STADA – materially adverse effects for STADA cannot be ruled out.

In addition, STADA generally conducts business transactions not against cash payment, but on an invoicing basis to numerous individual debtors. Thus, the fundamental, partly also cyclical commercial risk of debtor default is associated with this. STADA therefore strives to maintain business relations only with business partners of impeccable financial standing and in addition, partly uses suitable measures to safeguard itself against default risk, such as guarantees, loan insurances or the transfer of property, plant and equipment. However, it cannot be ruled out that these measures are insufficient and non-payments of individual debtors arise to a significant extent. In financial year 2009, provision for bad debts in relation to Group sales amounted to 1.6% (previous year: 1.0%) of net sales; the largest individual defaults in this context in 2009 were the write-offs on receivables reported as a one-time special effect due to the default of wholesalers in the CEE countries in the net amount of € 7.2 million (see "Earnings Situation – Development of Earnings and Costs").

With the current global financial and economic crisis, which is of a historically exceptional dimension, aforementioned cyclical risks can be significantly increased. In addition, in this extreme economic situation higher risks are also imaginable in all other risk categories as in the area of surrounding and industry risks due to increased subsidies for more crisis-prone competitors that distort competition, due to the unexpected default of business partners through insolvency or in the area of financial risks due to stronger currency fluctuations, particularly of the euro as well as an increased rate of inflation in individual national markets or globally.

The Executive Board constantly analyses possible effects of the current global financial and economic crisis in the scope of risk management and, within the bound of possibility, takes operative preparations for various scenarios such as a clearly increased default risk of business partners, possible subsidies for more crisis-prone competitors that distort competition or continuing strong volatility in terms of the interest rate level and Group-relevant currency risks, without being guaranteed that such arrangements will be sufficient. Instead, it cannot be ruled out that the current global financial and economic crisis will have material adverse effects on STADA's business.

In view of the historically exceptional dimension of the current global financial and economic crisis and the associated uncertainty as to its continuation and outcome, it can on principle not be ruled out that a change of corporate strategy or operating alignment will become opportune or obligatory for STADA in the course of the further development of the current global financial and economic crisis because through this, significantly negative effects on STADA could be avoided or at least be reduced.

Finally, risks that arise from other risk categories in this Risk Report can, in general, also lead to other economic risks, for example when, through other risks such as political crises in individual national markets or globally, the threat of additional economically damaging effects were to appear.

Financial risks

Generally, every company, also STADA, is exposed to financial risks. STADA counters these risks within the framework of what is possible with finance policy methods and a specific risk management.

The basic principles of financial policy and financial risk management are determined or confirmed at least once a year by the Executive Board. All transactions above a relevant threshold determined by the Executive Board additionally require the Executive Board's prior approval, who, in addition, is regularly informed on the nature, scope and the amount of the current risks. Regarding assets, liabilities and scheduled transactions, these risks comprise particularly risks from changes to exchange rates, interest rates and stock-exchange prices. It is the objective of financial risk management to limit these market risks through the current operative and finance-related activities. For this purpose, depending on the assessment of the financial risk, derivative and non-derivative hedging instruments are used.

Financial assets and financial liabilities are measured at fair value at their initial recognition. For all financial assets and financial liabilities which are subsequently not measured at fair value, transaction costs directly attributable to the acquisition are to be taken into account. Fair values recognized in the balance sheet usually correspond to the market prices of financial assets. If these are not readily available, they are calculated by making use of recognized measurement models and by having recourse to current market parameters. For this purpose, the cash flows which are already fixed or calculated by means of the current yield curve via so-called forward rates are discounted to the measurement due date with the discount factors determined by means of the yield curve valid on the due date.

Primary financial instruments include in particular receivables from clients, loans, financial shareholdings, securities and cash and cash equivalents as well as financial liabilities and trade liabilities. Receivables which are not held for trading are generally recognized at continued historical cost less write-downs. Write-downs are carried out if there is objective evidence of them. This category primarily comprises trade receivables and loans. Non-interest-bearing and low-interest receivables with a remaining maturity of more than 12 months are discounted. Available-for-sale financial assets are measured at fair value. It is primarily financial investments as well as other financial instruments which fulfill the relevant criteria of IAS 39.9 that fall into this category. Insofar as no noted market prices are available on active markets, the measurement is carried out at historical cost. Held-to-maturity financial investments are measured at their continued historical cost. In subsequent measurement, financial liabilities are measured at continued historical cost with the exception of derivative financial instruments. The calculation of the continued historical cost is generally carried out on the basis of the effective interest method.

STADA uses derivative financial instruments exclusively to hedge interest and currency risks resulting from operating activities, financial transactions and investments. Derivative financial instruments are neither held nor issued for speculation purposes.

At their initial recognition and on every subsequent due date derivative financial instruments are accounted for as assets or liabilities. Independent of their purpose, all derivative financial instruments are recognized at fair value.

With so-called fair value hedges, the risk of a change in fair value of recognized assets or recognized liabilities is hedged. The hedging of unrecognized firm commitments is also reported as fair value hedges. In case of fair value hedges, changes in fair value of hedging transactions are recorded in the income statement like changes in fair value of the associated underlying transaction to the extent that the hedging relation is effective.

So-called cash flow hedges are used to hedge against the risk that the future cash flows associated with a recognized asset or a recognized liability or a highly probable planned transaction fluctuate. In case of a cash flow hedge, unrealized profit and loss of the hedging transaction is initially recorded in the amount of the effective part in the relevant provision in shareholders' equity. It is recorded in the income statement when the underlying hedged transaction is recognized in the income statement.

IAS 39 determines conditions for the accounting of hedging transactions. In particular, the hedging relationships must be explicitly documented and effective. Effective means that changes in fair value of the hedging transaction are both prospectively and retrospectively within a range of 80% to 125% of the offsetting changes in fair value of the underlying transaction. Only the effective part of a hedging transaction may be accounted for under the rules described. The ineffective part of a hedging relationship is immediately recognized in the income statement.

STADA is primarily exposed to interest rate risks in the euro zone, in the United Kingdom as well as in Serbia and Russia. In order to minimize the effects of interest rate fluctuations, STADA manages the interest rate risk for the financial liabilities denominated in euro and ruble with derivative hedging transactions (so-called interest rate swaps). Due to these hedging transactions, in 2009, an average of 72% (previous year: 73%) of financial liabilities denominated in euro and 100% (previous year: 100%) in ruble had fixed interest rates.

The valuation of these interest rate swaps at market value is based on generally accepted valuation models.

The quantitative data on market interest rate risks from STADA can be found in the Notes of this Annual Report.

In the operating area, the individual Group companies carry out their activities mainly in their individual functional currency. Therefore, from today's perspective, STADA estimates the currency risk from current operating activities as being low, even if forecasts for currency relations cannot be accurately made against the backdrop of the actual global financial and economic crisis. There is, however, a significant currency translation risk in the transfer of results from local subsidiaries outside of the euro zone into Group accounting. In addition, some Group companies are exposed to foreign currency risks in connection with planned payments outside their functional currencies. These mainly relate to the refinancing of the Serbian Hemofarm Group and the Russian subsidiary Nizhpharm.

Foreign currency risks which do not significantly influence the Group's cash flows remain unhedged while risks due to foreign currencies are usually hedged to the extent that they can significantly influence the Group's cash flows.

On behalf of the STADA Group as a whole, STADA Arzneimittel AG employs fundamentally different financial derivatives to hedge assets, liabilities and anticipated future currency flows denominated in foreign currency. In the 2009 reporting year, STADA Arzneimittel AG made use of futures contracts, among other things. The maturity dates of futures contracts are selected to match the Company's anticipated cash flows. Generally, however, their terms do not exceed one year. Based on the respective foreign currency planning, a hedge strategy is thereby developed in the context of a risk analysis, making use of the variance-covariance method.

However, it cannot be ruled out that the hedging strategies against currency risks turn out to be insufficient, wrong or suboptimal because, for example, the financial markets develop contrary to expectations and that materially adverse effects for STADA result from this.

The quantitative data on currency exchange risks from STADA can be found in the Notes of this Annual Report.

The Company's liquidity was guaranteed at all times in the past financial year. For this purpose and to secure the financial stability of STADA, a liquidity reserve in the form of credit lines and, insofar as it is necessary, cash reserves, are maintained. In this regard, STADA has completed bilateral credit agreements with various banks.

In general, however, it cannot be ruled out that the financial policy methods and the specific financial risk management implemented by STADA and described above, prove insufficient to avoid all financial risks and the materially adverse effects for STADA that are associated with them.

Other risks

As is the case with every company, STADA is also exposed to further risks with its business processes.

STADA is in possession of a number of business and trade secrets that must be treated with confidentiality. To safeguard these, STADA makes use of confidentiality agreements with employees, external alliance partners, and service providers as well as with certain other contractual partners. However, there is no guarantee that these agreements and other protective measures taken to ensure business and trade secrecy actually represent effective protection or that they will not be violated. There is also no assurance that business and trade secrets will not become known to competitors by other means. This may have material adverse effects on STADA.

Within the scope of business development, the Executive Board, management and the Group's employees must continuously take entrepreneurial decisions for which assumptions and/or expectations on the further development of specific matters are taken as a basis and/or areas of discretion may exist. On principle, it cannot be ruled out

that, in hindsight, wrong or suboptimal assumptions or decisions are taken and that materially adverse consequences for STADA were, are or will be associated with this.

Like any company, STADA as a Group and the STADA subsidiaries in their national markets are subject to additional general business risks such as unexpected disruptions in infrastructure, strikes, accidents, natural disasters, sabotage, criminal activities, terrorism, war and other unforeseeable materially adverse influences. STADA protects itself against such risks to the extent possible and financially reasonable through appropriate insurance policies. However, it cannot be ruled out that these insurances are insufficient.

Summary evaluation of risks

In the event that one or more of the above-mentioned risks should materialize or newly occur in the development of business, this could respectively have materially adverse effects on the Group's business activities. In particular, respectively material adverse effects on STADA's business, financial and earnings situation could be associated with this. In addition, investments that rely on the non-occurrence of a risk may prove respectively entirely or partially worthless. In this context, significant changes of the corporate strategy or operating alignment could also become opportune or obligatory for STADA if, through this, materially adverse effects on STADA could be avoided or at least be reduced.

However, from today's perspective no risks are discernable in the Executive Board's assessment which alone or in combination could jeopardize the STADA Group's continued existence.

SUPPLEMENTARY REPORT

Significant events that occurred between the end of financial year 2009 and the date of signing the Management Report and the financial statements for 2009 are stated, for better understanding, within the respective context of the Management Report.

In view of this, only supplementary events that are, in the Executive Board's view, particularly important, are listed in this supplementary report. For detailed information as well as the effects on the business, financial and earnings situation, please refer to the relevant explanations in the Management Report.

Events in this supplementary report include:

- On January 1, 2010, the new Chief Financial Officer of STADA Group, Helmut Kraft, assumed his post (see "Corporate Governance (incl. Remuneration Reports) – Executive Board" and "Notes IFRS – 6.6.1.").

- In the current financial year 2010, on January 15, 2010, the Danish STADA subsidiary PharmaCoDane ApS, Copenhagen, purchased a portfolio of mainly branded products with a focus on the antibiotics area of indication with eight pharmaceutical active ingredients (see "Business and General Conditions – Acquisitions and Disposals").

- On March 1, 2010[1)] the Executive Board of STADA Arzneimittel AG resolved and published to propose a dividend in the amount of € 0.55 (previous year: € 0.52) per STADA common share for financial year 2009 (see "Earnings situation – Dividend"). At the same time, the Executive Board published the preliminary business results for 2009 as well as the essential contents of the prognosis report.

- In the current first quarter of 2010, an interest rate swap of a Russian subsidiary which also included a compensation payment based on the currency relation ruble/euro, expired without a substantial burden on the financial result in financial year 2010.

- The development of the STADA share price was – with continuing marked volatility – generally positive until March 11, 2010, the last trading day before the preparation of the financial statements. The XETRA® closing price on March 11, 2010 of € 28.61 was 18% above the XETRA® closing price at the end of 2009.

1) See the Company's ad hoc release of March 1, 2010.

- In the first quarter of the current financial year 2010, another 10 warrants were exercised prior to the preparation of the financial statements by the Executive Board on March 12, 2010. The number of shares has thereby risen by 200 to 58,850,020 and share capital increased by € 520 to € 153,010,052. Therefore, as of March 12, 2010, 177,010 warrants 2000/2015 for the subscription of 3,540,200 STADA common shares are still outstanding.

PROGNOSIS REPORT

Adhering to proven business model

STADA's business model is proven and characterized by consistency. The strategic focus of STADA will continue to be on products with off-patent active pharmaceutical ingredients in selected segments of the pharmaceutical and especially the generics market.

The focus of STADA's business activities therefore continues to be, in the view of the Executive Board, on markets with unchanged long-term growth potential – also when the concrete growth opportunities differ from market to market and year to year depending on the relevant economic, regulatory and competitive framework conditions (see "Business and General Conditions – Business Model, Core Segments and Structural Environment").

Also in the current financial year 2010, the sales and earnings development of the STADA Group will be characterized by differing and partially opposing factors in the various national markets, which are dealt with in detail in the presentation of development in the individual markets (see "Development of Segments – Information by Region"). From the expected sales increase for the Group expected by the Executive Board in 2010, however, positive influences on earnings development should also be anticipated.

In the case of an accumulation of difficult framework conditions in national markets that are particularly important for STADA, a weakened growth dynamic or even a temporary downturn can, however, not be fundamentally ruled out for future years – as was also partially the case in financial years 2008 and 2009. In the view of the Executive Board, these two financial years also showed, however, that STADA has established operating success factors that can contribute to a substantially positive earnings level for the STADA Group even under especially difficult framework conditions.

One of these operating success factors is represented by the international sales infrastructure with own sales companies in 30 countries currently. It allows the Group, in the individual national markets, to adapt the marketing of relevant products from the Group portfolio to the differing regulatory and competitive framework conditions in order to optimally take advantage of the respective local growth potentials. Also in the future, the Executive Board intends to expand this global sales network thereby providing the Group with additional marketing opportunities and thus to open up a further diversification against local challenges and risks in individual national markets.

To the extent that specific expectations from the Executive Board regarding certain opportunities in individual national markets are, from today's perspective, of relevance for the Group, the Executive Board refers to its assessments on this in the overall context of the respective market in the scope of regional development in this Management Report (see "Development of Segments – Information by Region").

A further success factor for STADA is, from the Executive Board's perspective, the Group's strong product development. Due to the product pipeline which remains well-filled, STADA is in a position – particularly in the core segment Generics – to continually expand the product portfolio, also in the years to come. In addition to the sales and earnings opportunities in connection with new products, the successful product development also opens up the opportunity of an improved margin mix and cost-efficient economy of scale effects in sales for the Group. A requirement for this, however, is that the new products can be launched with margins that are initially better than the Group average or that they can be launched within the scope of existing sales structures in the individual national markets.

In the view of the Executive Board, the continuous cost optimization in the Group also plays a central role in the future earnings development, especially in the area of cost of sales and therefore represents a further operational success factor. Against this backdrop, STADA, for greater cost improvements in the pharmaceutical production, will, also in the future, push forward with the targeted expansion of own low-cost production capacities. In addition, within the scope of global procurement – also in the case of active pharmaceutical ingredients and auxiliary materials – suppliers should also increasingly participate in the market risks through price escalation clauses or renegotiations. Furthermore, the Group plans to make greater use of suppliers in low-cost countries.

A further established success factor is, in the assessment of the Executive Board, the opportunity that exists in the Group for quick and effective change management. This applies in particular for the sales area, because the ability to react in the short-term to structural, regulatory or competition-related changes with adjustments to one's own sales measures, both for exploiting opportunities as well as to meet challenges or for the minimization of risks is of significant importance. Against this backdrop, STADA is, also in the future, wiling to act aggressively in individual national markets to achieve a stronger market position or higher market share and to accept, for example, a decrease of operating margins, as long as overall a profitable business situation is maintained in the respective market.

In addition, in 2009, STADA introduced the Group-wide "STADA – build the future" project for the optimization of Group structures in order to improve mid and long-term earnings prospects. Strategic goals of this project, in which external consultants are also deployed, are a reduction of the complexity of the Group structures, a more efficient centralized control of Group companies as well as an acceleration of the continuous cost optimization with a focus on the fields of cost of sales/production locations as well as organizational, reporting and personnel structures. From today's perspective the Executive Board expects that this project will allow additional earnings contributions to be

achieved, which with the gradual implementation of the individual measures will add up to annual savings in the double-digit million area. However, from today's perspective after decisions on the implementation of the measures anticipated in the first half year of 2010 rising investments as well as burdens on the income statement due to project-related one-time special effects must be expected.

Against the backdrop of these factors influencing the Group's earnings development, the Executive Board in its overall assessment expects that in the 2010 financial year operationally there is the opportunity for earnings growth and at least a stabilization of operating margins. It should generally be possible, from today's perspective, to achieve growth in all operational, i.e adjusted for one-time special effects, key earnings figures in financial year 2010.

Due to the continued stable financial situation of the Group, the Executive Board continues to deem STADA as capable to finance the required investments for the intended organic growth largely by means of cash flow generated within the Group. With regard to the individual investment projects, the Executive Board refers to its statements on this in the overall context of the presentation of the financial situation in this Management Report (see "Financial Situation – Cash Flow").

Against the backdrop of the ongoing concentration process in the generics industry, the Executive Board continues to see the opportunity, but also the necessity, to complement the Group's organic growth with additional external growth impulses. Therefore, STADA will, also in the future, pursue an active but at the same time cautious acquisition policy and will continue to apply stringent standards in terms of profitability and appropriateness of the purchase price. Thereby, the Executive Board does not exclude cooperations with a significant capital investment.

The Executive Board is currently hesitant to again increase the Group's net debt in order to finance external growth, without, however, ruling out taking advantage of special opportunities. More importantly, the Executive Board is striving for a return of the net debt to adjusted EBITDA ratio to a maximum value of 3; at the same time, the long-term refinancing structure of the Group to increase liquidity security should be optimized, without borrowing additional equity.

For larger projects such as acquisitions or cooperations with capital investments, however, appropriate capital measures continue to be imaginable if the burden on the equity-to-assets ratio from such acquisitions or cooperations is too high.

After all, the Executive Board continues to see in the employees' specific understanding of those markets that are relevant for the Group as well as in their comprehensive knowledge focusing on the areas of sales and marketing, product development as well as procurement and production a significant success factor, for STADA, which will be appropriately taken into consideration in the implementation of results from the "STADA – build the future" project.

Overall, in the view of the Executive Board, STADA has, considering the business model of the Group that is focused on long-term growth markets and the proven operative success factors, in the years to come the opportunity, in principle, to be able to profit from potential market growth with its own growth once again. The most important requirement for this will be that STADA repeatedly manages, quickly and consistently enough, to adapt its own operative structures to the regularly changing structural framework conditions of the markets.

Challenges and risks of the STADA business model

In addition to the growth opportunities listed above, the Group also faces operating challenges and risks, which are described in detail in this Management Report in the scope of the segment reporting on the regional developments in the individual national markets as well as in the Risk Report.

In the view of the Executive Board, many of these challenges and risks are based on the structures and mechanisms of the market segments in which STADA is active and, in light of the fact that, to a significant extent, they cannot be separated from the structural growth opportunities, are unavoidable (see “Business and General Conditions – Business Model, Core Segments and Structural Environment” as well as “Risk Report”). Overall, for the Executive Board there continue to be no apparent challenges or risks that would jeopardize the existence of the Group.

In light of this, the Group will, also in the future, continue to be active in markets and market segments which are characterized, among other things, by high price sensitivity, continued margin pressure, intense competition and a frequently changing regulatory environment. STADA must thus, also in the future, continue to react flexibly and at short notice to this type of challenges and risks by means of counter measures such as sales restructurings. Through continuous cost optimization, STADA must also compensate for the anticipated continuing margin pressure.

To the extent that specific expectations from the Executive Board regarding certain challenges and risks in individual national markets are, from today’s perspective, of relevance for the Group, the Executive Board refers to its assessments on this in the overall context of the respective market in the scope of the segment reporting on the regional developments in the individual national markets in this Management Report (see “Development of Segments – Information by Region”).

Specific challenges from the ongoing current global financial and economic crisis

In addition to the challenges and risks that are inherent to the business model that is pursued by STADA, the Group also continues to be affected by specific effects from the ongoing global financial and economic crisis.

STADA continues to prepare itself, within the scope of what is possible, for potential specific risks arising from this such as a significantly increased default risk of business partners, subsidies to crisis-prone competitors that distort competition or continued strong volatility in interest rate levels and currency relations that are relevant for the Group (see "Risk Report"). However, in light of the extraordinary dimensions of the global financial and economic crisis, burdens which result from this such as one-time special effects from payment defaults or non-operational burdens on earnings from currency influences can, as before not be ruled out.

Furthermore, also in the current financial year 2010, sales and earnings in the non-euro markets, especially in the national markets of Russia and Serbia which are important for STADA, are subject to a partially significant currency risk. In view of this, the contributions of these national markets to Group sales and net profit depend, also in 2010, on the relation of the individual national currencies to the euro. From today's perspective, however, the Group assumes that the currency burdens in financial year 2010 should be clearly lower than they were over the course of 2009.

Nevertheless, it cannot be ruled out that the Group, in case of ongoing for STADA disadvantageous currency relationships or a lasting significant weakening of demand in individual national markets or, within the scope of impairment tests, amortization on such intangible assets must be carried out, the balance-sheet value of which for STADA is characterized by either the currency relationship at acquisition and/or by future market expectations such as, for example, the goodwill of acquired companies or product approvals.

Against the backdrop of the cost pressure that continues to exist in national health care systems as a result of, among other things, the continuing global financial and economic crisis, the speed and scope of local regulatory measures to contain costs could increase further. Within this framework, both reviving and subduing measures are imaginable for generics. In addition, the slowing economy in individual national markets can lead to a reduction in patients' self-financed expenditures in the health care area. Affected by this are, in particular, STADA business activities in the national markets and/or market segments in which the Group sells primarily products for self-pay patients, i.e. for the most part in both East-European markets and in the Branded Products segment.

After all, a liquid financial market is necessary for the refinancing of the Group's acquisition policy. As a result of its debt structure being mainly organized in the long term, STADA has so far, however, not yet seen any indication of significant limitations to the financing of Group projects in relation to this. Here, even positive consequences of the current global financial and economic crisis remain imaginable for STADA if acquisition objects that, in the Executive Board's view, were overpriced in the past could now be acquired at reduced prices.

Summarizing outlook

STADA's business model is geared toward markets with long-term growth potential in the health care and pharmaceutical markets; inevitably linked to this, however, are risks and challenges that arise from repeatedly intensive competition and changed or additional state regulation. Therefore, in the Executive Board's assessment, far-reaching regulatory interventions, intensive competition and significant margin pressure will always occur in individual national markets. The latter applies in particular to the increasing volume of business in the Generics segment characterized by tenders.

Furthermore, the Group will, also in the future, have to deal with non-operational influence factors, particularly specific effects from the global financial and economic crisis. Thereby, also in financial year 2010, the development of the STADA Group will depend to a large extent on currency relations, particularly those of the Russian ruble and Serbian dinar to the euro.

Thus, the sales and earnings development of the STADA Group will, also in the current financial year 2010, be characterized by differing and partially contradictory factors in the various national markets. From the expected sales increase for the Group expected by the Executive Board in 2010, however, positive influences on earnings development should also be anticipated.

The Executive Board continues to expect that the current project "STADA – build the future" for the optimization of Group structures will allow additional earnings contributions to be achieved, which with the gradual implementation of the individual measures, will amount to annual savings in the double-digit million area. However, from today's perspective after decisions on the implementation of the measures anticipated in the first half year of 2010 rising investments as well as burdens on the income statement due to project-related one-time special effects must be expected.

Against the backdrop of these factors influencing the Group's earnings development, the Executive Board in its overall assessment expects that in the 2010 financial year operationally there is the opportunity for earnings growth and at least a stabilization of operating margins.

It should generally be possible, from today's perspective, to achieve growth in terms of sales and also in terms of all operational, i.e. adjusted for one-time special effects, key earnings figures in financial year 2010.

Bad Vilbel, March 12, 2010

H. Retzlaff
Chairman of the Executive Board

H. Kraft
Chief Financial Officer

C. Schumann
Chief Production and Development Officer

STADA CONSOLIDATED FINANCIAL STATEMENTS 2009

CONSOLIDATED INCOME STATEMENT

Consolidated Income Statement for the period from Jan. 1 to Dec. 31 in € 000s		2009	Previous year	Notes IFRS
01.	Sales	1,568,779	1,646,164	2.1.
02.	Cost of sales	845,390	904,012	2.2.
03.	**Gross profit**	**723,389**	**742,152**	2.3.
04.	Other operating income	48,596	51,223	2.4.
05.	Selling expenses	346,084	369,560	2.5.
06.	General and administrative expenses	124,963	119,870	2.6.
07.	Research and development expenses	46,648	46,524	2.7.
08.	Other operating expenses	62,373	80,982	2.8.
09.	**Operating profit**	**191,917**	**176,439**	2.9.
10.	Investment income	831	1,235	2.10.
11.	Result from the accounting of shares in associated companies under the equity method	-287	-2,473	2.11.
12.	Interest result	-50,925	-69,678	2.12.
thereof				
•	interest income	10,930	19,128	2.12.
•	interest expenses	-61,855	-88,806	2.12.
13.	**Financial result**	**-50,381**	**-70,916**	2.13.
14.	**Earnings before taxes**	**141,536**	**105,523**	2.14.
15.	Taxes on income	40,788	28,459	2.15.
16.	**Net income**	**100,748**	**77,064**	2.16.
thereof				
•	net income distributable to shareholders of STADA Arzneimittel AG	100,437	76,246	2.16.
•	net income relating to non-controlling shareholders	311	818	2.16.
17.	Earnings per share in €	1.71	1.30	2.17.
18.	Earnings per share in € (diluted)	1.70	1.28	2.18.

Unless otherwise stated, "net income" in this report hereinafter refers to income attributable to the shareholders' stake in STADA Arzneimittel AG, which under IFRS also represents the basis for calculating earnings per share and diluted earnings per share.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated Statements of Comprehensive Income in € 000s	2009	Previous year	Notes IFRS
Net income	**100,748**	**77,064**	2.16.
• thereof net income distributable to shareholders of STADA Arzneimittel AG	100,437	76,246	2.16.
• thereof net income relating to non-controlling shareholders	311	818	2.16.
Income and expenses recognized directly in shareholders' equity	**-38,551**	**-106,654**	
thereof			
• currency translation differences attributable to shareholders of STADA Arzneimittel AG	-37,454	-107,673	
• currency translation differences attributable to non-controlling shareholders	383	-60	
• fair value assessment Available for Sale (exclusively attributable to shareholders of STADA Arzneimittel AG)	69	-188	
• fair value assessment Available for Sale at associated companies (exclusively attributable to shareholders of STADA Arzneimittel AG)	30	-	
• cash flow hedges (exclusively attributable to shareholders of STADA Arzneimittel AG)	-1,697	-3,463	
• deferred taxes on fair value assessment Available for Sale	-18	46	
• deferred taxes on fair value assessment Available for Sale at associated companies	-8	-	
• deferred taxes on cash flow hedges	453	924	
• actuarial gains (+) and losses (-) from provisions for pensions (exclusively attributable to shareholders of STADA Arzneimittel AG)	-308	4,922	
• deferred taxes on actuarial gains (+) and losses (-) from provisions for pensions	-1	-1,162	
Consolidated comprehensive income	**62,197**	**-29,590**	
thereof			
• relating to shareholders of STADA Arzneimittel AG	61,503	-30,348	
• relating to non-controlling shareholders	694	758	

CONSOLIDATED BALANCE SHEET

Consolidated Balance Sheet as of Dec. 31 in € 000s Assets		2009	Previous year	Notes IFRS
A.	**Non-current assets**	**1,406,574**	**1,412,913**	
	1. Intangible assets	1,000,087	1,000,852	3.1.
	2. Property, plant and equipment	309,033	306,621	3.2.
	3. Financial assets	19,566	20,811	3.3.
	4. Shares in associated companies recognized under the equity method	7,200	4,388	3.4.
	5. Non-current trade accounts receivable	2,638	1,325	3.5.
	6. Non-current income tax receivables	1,064	4,306	3.6.
	7. Other non-current assets	44,469	45,854	3.7.
	8. Deferred tax assets	22,517	28,756	3.8.
B.	**Current assets**	**1,045,155**	**1,056,561**	
	1. Inventories	374,983	396,873	3.9.
	2. Current trade accounts receivable	419,435	458,186	3.10.
	3. Current income tax receivables	30,319	26,108	3.11.
	4. Other current assets	57,531	62,746	3.12.
	5. Non-current assets held for sale	5,582	2,103	3.13.
	6. Current securities	369	66	3.14.
	7. Cash and cash equivalents	156,936	110,479	3.15.
Total assets		**2,451,729**	**2,469,474**	

Equity and liabilities		2009	Previous year	Notes IFRS
A.	**Equity**	**869,677**	**839,735**	3.16.
	1. Share capital	153,009	152,775	3.17.
	2. Reserves and unappropriated retained earnings	708,115	674,581	3.18.
	3. Shares relating to non-controlling shareholders	8,553	12,379	3.19.
B.	**Non-current liabilities and provisions**	**683,539**	**887,664**	
	1. Non-current provisions	23,490	22,872	3.20.
	2. Non-current financial liabilities	565,326	761,138	3.21.
	3. Non-current trade accounts payable	29	88	3.22.
	4. Other non-current liabilities	30,032	30,785	3.23.
	5. Deferred tax liabilities	64,662	72,781	3.24.
C.	**Current liabilities and provisions**	**898,513**	**742,075**	
	1. Current provisions	10,490	20,339	3.25.
	2. Current financial liabilities	490,951	365,099	3.26.
	3. Current trade accounts payable	266,577	228,605	3.27.
	4. Current income tax liabilities	21,823	18,410	3.28.
	5. Other current liabilities	108,672	109,622	3.30.
Total equity and liabilities		**2,451,729**	**2,469,474**	

CONSOLIDATED CASH FLOW STATEMENT

Cash flow from operating activities in € 000s	2009	Previous year	Notes IFRS
1.1. Gross cash flow[1]	191,196	168,726	4.1.
thereof			
• 1.1.1. net income (including net income relating to non-controlling interests)	100,748	77,064	
• 1.1.2. due to depreciation and amortization (+) / write-ups (-) of non-current assets	87,640	80,190	
• 1.1.3. due to increase (+) / decrease (-) in non-current provisions	-238	-8,761	
• 1.1.4. due to gains (-) / losses (+) on disposals of non-current assets	-3,615	-614	
• 1.1.5. result from accounting of shares in associated companies under the equity method	287	2,473	
• 1.1.6 gains (-) / losses (+) due to exchange rates	4,063	12,962	
• 1.1.7. other non-cash expenses (+) / gains (-)	2,311	5,412	
1.2. Cash flow due to changes in assets[2]	33,232	-2,550	
thereof			
• 1.2.1. due to changes in inventories	16,784	-5,045	
• 1.2.2. due to changes in trade accounts receivable	27,978	17,879	
• 1.2.3. due to changes in other assets	11,179	-2,109	
• 1.2.4. due to changes in current securities	-235	2,265	
• 1.2.5. due to changes in deferred tax assets and income tax receivables	-25,027	-5,893	
• 1.2.6 due to changes in assets in connection with shares in associated companies recognized under the equity method	2,553	-9,647	
1.3. Cash flow due to changes in equity and liabilities[2]	26,068	-36,876	
thereof			
• 1.3.1. due to changes in current provisions	-9,848	-8,690	
• 1.3.2. due to changes in trade accounts payable	30,991	-13,422	
• 1.3.3. due to changes in other liabilities	-9,858	-3,833	
• 1.3.4. due to changes in deferred tax liabilities and income tax liabilities	14,783	-10,931	
1. Cash flow from operating activities	250,496	129,300	4.2.

1) Gross cash flow was adjusted in financial year 2009 for other non-cash expenses as well as effects from currency translation affecting the income statement. For reasons of comparability, the figures for the previous year are presented analogously.

2) Adjusted for initially consolidated and deconsolidated companies.

Cash flow from investing activities in € 000s	2009	Previous year	Notes IFRS
2.1. **Payments**	**-133,769**	**-170,649**	
thereof			
• 2.1.1. for the acquisition of consolidated companies (after deducting acquired cash and cash equivalents)	-9,019	-42,210	
• 2.1.2. for significant purchases of intangible assets for current expansion of the product portfolio (as a rule in the reporting year)	-27,417	-9,750	
• 2.1.3. for purchases of other intangible assets	-46,379	-41,707	
• 2.1.4. for purchases of property, plant and equipment	-50,829	-72,205	
• 2.1.5. for purchases of financial assets	-125	-4,777	
2.2. **Proceeds**	**27,286**	**27,342**	
thereof			
• 2.2.1. from the disposals of consolidated companies (after deducting possible disposed cash and cash equivalents)	16,787	10,917	
• 2.2.2. from sales of intangible assets from significant disposals of launched products	5,000	-	
• 2.2.3. from the disposals of other intangible assets	1,275	3,603	
• 2.2.4. from the disposals of property, plant and equipment	4,136	10,315	
• 2.2.5. from the disposals of financial assets	88	2,507	
2. Cash flow from investing activities	-106,483	-143,307	4.3.

Cash flow from financing activities in € 000s	2009	Previous year	Notes IFRS
3.1. Payments in the context of financing activities	-238,648	-287,813	
thereof			
• 3.1.1. to shareholders (dividend distribution, treasury shares)	-30,481	-41,612	
• 3.1.2. for the redemption of bonds and finance facilities	-208,167	-246,201	
3.2. Proceeds in the context of financing activities	142,888	330,734	
thereof			
• 3.2.1. from additions to shareholders' equity/share capital of STADA Arzneimittel AG	234	100	
• 3.2.2. from additions to shareholders' equity/capital reserve of STADA Arzneimittel AG	1,247	536	
• 3.2.3. from incurring bonds and finance facilities	141,407	330,098	
3. Cash flow from financing activities in € 000s	-95,760	42,921	

Net cash flow for the period in € 000s	2009	Previous year	Notes IFRS
1. Cash flow from operating activities	250,496	129,300	
2. Cash flow from investing activities	-106,483	-143,307	
3. Cash flow from financing activities	-95,760	42,921	
4. Changes in cash and cash equivalents (sub-total)	48,253	28,914	
5. Changes in cash and cash equivalents due to Group composition and exchange rates	-1,796	86	
6. Net cash flow for the period	46,457	29,000	4.5.

Development of cash and cash equivalents in € 000s	2009	Previous year	Notes IFRS
0. Cash and cash equivalents at beginning of period	110,479	81,479	
6. Cash flow for the period	46,457	29,000	4.6.
7. Cash and cash equivalents at the end of the period	156,936	110,479	

Additional disclosures on cash flow statement in € 000s	2009	Previous year	Notes IFRS
Dividends received	9	28	
Payments of income taxes	26,120	43,372	
Payments of interest	53,347	60,449	
Proceeds from interest-bearing transactions	9,549	12,726	

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Consolidated Statement of Changes in Shareholders' Equity in € 000s

2009	Number of common shares	Share capital	Capital reserve	Retained earnings
Balance as of Dec. 31, 2009	**58,849,820**	**153,009**	**465,812**	**29,536**
Dividend of STADA Arzneimittel AG				
Dividend of other Group companies				
Capital increase from warrants 2000/2015 of STADA Arzneimittel AG	90,000	234	1,247	
Appropriation from retained earnings of STADA Arzneimittel AG				-15,500
Changes in treasury shares			-50	
Change in provision Available for Sale				
Changes in reserves for cash flow hedges				
Changes in retained earnings in accordance with IAS 19				-309
Currency translation differences				
Changes from initial consolidations				624
Changes from the sale of Health Vision Enterprise Ltd.				
Buy back of non-controlling interests				
Net income 2009[1)]				
Reclassification of non-controlling interests in net income 2009				
Balance as of Jan. 1, 2009	**58,759,820**	**152,775**	**464,615**	**44,721**
Previous year				
Balance as of Jan. 1, 2008	**58,759,820**	**152,775**	**464,615**	**44,721**
Dividend of STADA Arzneimittel AG				
Dividend of other Group companies				
Capital increase from warrants 2000/2015 of STADA Arzneimittel AG	38,720	100	536	
Retention of STADA Arzneimittel AG				15,500
Changes in treasury shares			35	
Changes in provision Available for Sale				
Changes in reserves for cash flow hedges				
Changes in retained earnings in accordance with IAS 19				3,760
Currency translation differences				-1
Buy back of non-controlling interests				
Net income 2008[1)]				
Reclassification of non-controlling interests in net income 2008				
Balance as of Jan. 1, 2008	**58,721,100**	**152,675**	**464,044**	**25,462**

1) Net income including net income relating to non-controlling shareholders.

Unappropriated retained earnings	Treasury shares	Currency translation differences	Provisions Available for sale	Provisions for cash flow hedges	STADA shareholders' equity	Share of non-controlling shareholders	Total shareholders' equity
348,159	-1,749	-129,930	70	-3,783	861,124	8,553	869,677
-30,501					-30,501		-30,501
					-	-39	-39
					1,481		1,481
15,500					-		-
	109				59		59
			73		73		73
				-1,244	-1,244		-1,244
					-309		-309
		-37,453	-1		-37,454	383	-37,071
					624		624
		602			602		602
					-	-4,481	-4,481
100,748					100,748		100,748
-311					-311	311	-
262,723	-1,858	-93,079	-2	-2,539	827,356	12,379	839,735
262,723	-1,858	-93,079	-2	-2,539	827,356	12,379	839,735
-41,612					-41,612		-41,612
					-	-115	-115
					636		636
-15,500					-		-
	83				118		118
			-142		-142		-142
				-2,539	-2,539		-2,539
					3,760		3,760
		-107.648	-24		-107,673	-60	-107,733
					-	-9,338	-9,338
77,064					77,064		77,064
-818					-818	818	-
243,589	-1,941	14,569	164	-	898,562	21,074	919,636

NOTES IFRS

1. General

1.1. Basis of presentation

STADA Arzneimittel Aktiengesellschaft, Bad Vilbel, Germany is a joint-stock company registered under German law. The Company is active worldwide in the health care and pharmaceuticals market, especially in the core segments of Generics and Branded Products.

The consolidated financial statements presented for STADA Arzneimittel AG as parent company as of December 31, 2009 have been prepared under Section 315a of the German Commercial Code (HGB) pursuant to the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), that have been adopted by the European Union and had to be applied as of December 31, 2009 or were voluntarily applied prior to their effective date. Moreover, the supplementary trade regulations pursuant to Section 315a (1) of the HGB are observed.

The consolidated financial statements of STADA Arzneimittel AG provide a true and fair view of the Group's business, financial and earnings situation as well as cash flows during the financial year.

The exemption rule stated in Section 264 (3) of the HGB was applied to ALIUD PHARMA GmbH, BEPHA Beteiligungsgesellschaft für Pharmawerte mbH, cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH, LIFE TRANS Pharma-Vertriebs GmbH, STADA GmbH, STADA Medical GmbH, STADA R&D GmbH, STADApharm GmbH, STADA Pharma International GmbH and Mobilat Produktions GmbH.

The Executive Board prepared the financial statements and the Management Report as well as the consolidated financial statements and the Group Management Report for STADA Arzneimittel AG on March 12, 2010 and submitted it to the Supervisory Board on schedule along with the Executive Board's proposal for the appropriation of profits. On March 1, 2010, the Executive Board decided on and published[1)] a proposal for a dividend of € 0.55 (previous year: € 0.52) per STADA common share for financial year 2009. At the same time, the Executive Board published the preliminary business results for 2009 as well as the essential contents of the prognosis report.

1.2. Changes in accounting policies

For the first time in financial year 2009, STADA applied the following accounting policies, which have been adopted by the EU and which are obligatory for financial years beginning from January 1, 2009 or may be voluntarily applied in advance of this time:

- IFRS 1 and IAS 27: "Cost of an investment in a subsidiary, jointly controlled entity or associate": The revised standards specify that when applying IFRS for the first time in the separate financial statements, acquisition costs of an investment are to be determined either at fair value or carrying amount according to the national accounting requirements applied previously. This regulation applies for associates, jointly controlled entities and subsidiaries. In addition, the obligation to reduce acquisition costs for distributions of retained earnings generated before acquisition of the investments has been removed from IAS 27. Dividends from jointly controlled entities, subsidiaries and associates are in the future to be recognized in the income statement,

1) See the Company's ad hoc release of March 1, 2010.

irrespective of whether the distribution derives from earnings before the time of acquisition or not. An impairment test must be carried out if distributions in one year exceed the comprehensive income of the financial year.

- IFRS 3/IAS 27 "Business Combinations and consolidated and separate financial statements". The reviewed standards govern the application of the full goodwill method, the recognition of incidental costs of acquisition in the income statement, the revaluation in the income statement of already existing shareholdings in case of gain of control as well as of remaining shareholdings in case of loss of control, the recognition without effect on the income statement of changes in the shareholding ratio in a subsidiary without loss of control as well as the unlimited attribution of losses to the non-controlling shareholders. STADA is making use of the opportunity to apply these standards in advance of when required.
- IFRS 7 "Financial Instruments: Disclosures" (Improving disclosures about financial instruments)
- IFRS 8: This standard replaces the provisions of IAS 14 previously applied. Under IFRS 8 the identification of reportable operating segments is based on the "Management Approach", which has already been applied by STADA in the past in accordance with IAS 14. Moreover, external segment reporting is to be carried out based on the management and reporting figures used internally.
- IAS 1 "Presentation of Financial Statements": In this context STADA makes use of the option to show an income statement as well as, based on profit for the period, a disclosure of income and expenses recognized in equity without effect on income (two statement approach).
- IAS 23 "Borrowing Costs": As a result of the amendment to this standard, the former option to directly recognize borrowing costs that can be directly allocated to the acquisition, construction or manufacture of a qualified asset as an expense no longer applies for STADA.
- IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction".

STADA did not apply a number of pronouncements which were adopted by the IASB, the application of which, however, was not mandatory in financial year 2009. From today's perspective no significant effects on the consolidated financial statements are expected from the future application of the standards and interpretations not yet applied.

1.3. Information on share ownership and scope of consolidation

The consolidated financial statements of STADA Arzneimittel AG include the financial statements of all significant companies that are controlled by STADA Arzneimittel AG, either directly or indirectly through its subsidiaries, over which it has significant influence or which are jointly controlled. Control as interpreted in IAS 27 exists if STADA Arzneimittel AG or its subsidiaries are in a position to determine the financial and operating policies of a company for derivation of a commercial benefit. Joint control exists if at least two companies have contractually fixed equal control of this joint venture.

These companies are included in the consolidated financial statements from the time at which STADA Arzneimittel AG or its subsidiaries acquire the means to control, significantly influence or jointly control them. The inclusion ceases at the time when these means of influence are relinquished.

In accordance with Section 313 (2) no. 1–4 and (3) of the German Commercial Code (HGB) the following disclosures concerning the share ownership and scope of consolidation of STADA Arzneimittel AG are made on the balance sheet date:[1)]

1) The results of the individual financial statements pursuant to local law are influenced by inter-company trade accounts. Equity is always shown at 100%, even if the share capital is lower.

Direct investments of STADA Arzneimittel AG:

Name of the company, registered office	Share in capital	Form of consolidation
BEPHA Beteiligungsgesellschaft für Pharmawerte mbH, Bad Vilbel, Germany	100%	subsidiary
BIOCEUTICALS Arzneimittel AG, Bad Vilbel, Germany	15.86%	associated company
Ciclum Farma, Unipessoal, LDA, Paco de Arcos, Portugal	100%	subsidiary
Clonmel Healthcare Limited, Clonmel, Ireland	100%	subsidiary
Crinos S.p.A., Milan, Italy	96.77%	subsidiary
EG Labo SAS - Laboratoires Eurogenerics, Paris, France	100%	subsidiary
EG S.p.A., Milan, Italy	98.87%	subsidiary
Laboratorio STADA, S.L., Barcelona, Spain	100%	subsidiary
LIFE TRANS Pharma Vertriebs GmbH, Bad Vilbel, Germany	100%	subsidiary
Mobilat Produktions GmbH, Bad Vilbel, Germany	100%	subsidiary
JSC Nizhpharm, Nizhny Novgorod, Russia	100%	subsidiary
OOO STADA Marketing, Nizhny Novgorod, Russia	10%	subsidiary
Oy STADA Pharma Ab, Helsinki, Finland	100%	subsidiary
S.A. Eurogenerics, Brussels, Belgium	99.99%	subsidiary
S.A. Neocare, Brussels, Belgium	95.40%	subsidiary
STADA Arzneimittel Gesellschaft m.b.H., Vienna, Austria	100%	subsidiary
STADA GmbH, Bad Vilbel, Germany	100%	subsidiary
STADA Pharma International GmbH, Bad Vilbel, Germany	100%	subsidiary
STADA PHARMA S.R.L.[1], Bucharest, Romania	100%	not included
STADA PHARMA Slovakia s.r.o., Bratislava, Slovakia	100%	subsidiary
STADA Pharmaceuticals (Asia) Ltd., Hong Kong, China	100%	subsidiary
STADA R&D GmbH, Bad Vilbel, Germany	100%	subsidiary
STADA Service Holding B.V., Etten-Leur, The Netherlands	100%	subsidiary
STADApharm AS[2], Oslo, Norway	100%	not included
STADApharm GmbH, Bad Vilbel, Germany	100%	subsidiary

1) Equity (share capital): RON -1,470 thousand, result 2009: RON -213 thousand (pursuant to local law).

2) Equity (share capital): NOK 104 thousand, result 2009: NOK 2 thousand (pursuant to local law).

Indirect investments of STADA Arzneimittel AG through BEPHA Beteiligungsgesellschaft für Pharmawerte mbH of at least 20%:

Name of the company, registered office	Share in capital	Form of consolidation
ALIUD PHARMA GmbH, Laichingen, Germany	100%	subsidiary
ALIUD PHARMA Verwaltungs-GmbH, Laichingen, Germany	100%	subsidiary
Billix Pharma GmbH[1)2)], Bad Vilbel, Germany	100%	not included
cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH, Bad Vilbel, Germany	100%	subsidiary
Crinos S.p.A., Milan, Italy	3.23%	subsidiary
Croma Medic, Inc., Manila, The Philippines	100%	subsidiary
EG S.p.A., Milan, Italy	1.13%	subsidiary
Eurovax GmbH[3)], Bad Vilbel, Germany	100%	nicht einbezogen
IIP Institut für Industrielle Pharmazie Forschungs- und Entwicklungsgesellschaft mbH[4)], Aschaffenburg, Germany	25%	nicht einbezogen
PharmaCoDane ApS, Copenhagen, Denmark	100%	subsidiary
S.A. Eurogenerics, Brussels, Belgium	0.01%	subsidiary
S.A. Neocare, Brussels, Belgium	4.60%	subsidiary
STADA Asiatic Company, Ltd., Bangkok, Thailand	60%	subsidiary

Indirect investments of STADA Arzneimittel AG through BEPHA Beteiligungsgesellschaft für Pharmawerte mbH and through ALIUD PHARMA GmbH of at least 20%:

Name of the company, registered office	Share in capital	Form of consolidation
Alpha GenRx GmbH[5)], Vienna, Austria	100%	not included
STADA PHARMA CZ, s.r.o., Prague, Czech Republic	100%	subsidiary
Zimmer AL Data GmbH[6)], Neu-Ulm, Germany	30%	not included

Indirect investments of STADA Arzneimittel AG through BEPHA Beteiligungsgesellschaft für Pharmawerte mbH and through Crinos S.p.A. of at least 20%:

Name of the company, registered office	Share in capital	Form of consolidation
Laboratorio Prodotti Farmaceutici Boniscontro & Gazzone S.r.l., Milan, Italy	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA GmbH of at least 20%:

Name of the company, registered office	Share in capital	Form of consolidation
STADA Medical GmbH, Bad Vilbel, Germany	100%	subsidiary

1) Name changed from Taxon Arzneimittel GmbH in the reporting year 2009.
2) Equity (share capital): EUR 223 thousand (EUR 26 thousand), result 2009: EUR 0 thousand (pursuant to local law).
3) Equity (share capital): EUR 32 thousand (EUR 39 thousand), result 2009: EUR 0 thousand (pursuant to local law).
4) Equity (share capital): EUR 3,369 thousand (EUR 300 thousand), result 2008: EUR 823 thousand (pursuant to local law).
5) Equity (share capital): EUR 32 thousand, result 2005: EUR 0 thousand (pursuant to local law).
6) Equity (share capital): EUR -7 thousand, result 2008: EUR -35 thousand (pursuant to local law).

Indirect investments of STADA Arzneimittel AG through STADA Service Holding B.V. of at least 20%:

Name of the company, registered office	Share in capital	Form of consolidation
Centrafarm Nederland B.V., Etten-Leur, The Netherlands	100%	subsidiary
Hemofarm A.D., Vrsac, Serbia	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through Centrafarm Nederland B.V. of at least 20%:

Name of the company, registered office	Share in capital	Form of consolidation
Alphacen N.V.[1], Etten-Leur, The Netherlands	100%	not included
Cellpharm B.V.[2], Etten-Leur, The Netherlands	100%	not included
Centrafarm Pharmaceuticals B.V., Etten-Leur, The Netherlands	100%	subsidiary
Centrafarm Services B.V., Etten-Leur, The Netherlands	100%	subsidiary
Healthypharm B.V., Etten-Leur, The Netherlands	100%	subsidiary
HTP Huisapotheek B.V., Etten-Leur, The Netherlands	100%	subsidiary
Neocare B.V., Etten-Leur, The Netherlands	100%	subsidiary
Quatropharma Holding B.V., Breda, The Netherlands	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA Service Holding B.V., Centrafarm Nederland B.V. and through Quatropharma Holding B.V. of at least 20%:

Name of the company, registered office	Share in capital	Form of consolidation
Centrafarm B.V., Etten-Leur, The Netherlands	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA Pharmaceuticals (Asia) Ltd. of at least 20%:

Name of the company, registered office	Share in capital	Form of consolidation
CIG (Hong Kong) Limited[3], Hong Kong, China	70%	not included
DATApharm Co. Ltd.[4], Tortola, British Virgin Islands	51%	not included
STADA Import/Export Ltd., Tortola, British Virgin Islands	50%	joint venture
STADA Pharmaceuticals (Beijing) Ltd.[5], Beijing, China	75%	not included
STADA Vietnam J.V. Co., Ltd., Ho Chi Minh City, Vietnam	50%	joint venture

1) Equity (share capital): EUR 45 thousand, result 2009: EUR 0 thousand (pursuant to local law).
2) Equity (share capital): EUR 18 thousand, result 2009: EUR 0 thousand (pursuant to local law).
3) Equity (share capital): HKD 128 thousand, result 2009: HKD 74 thousand (pursuant to local law).
4) Equity (share capital): USD 1,306 thousand, result 2009: USD 1,730 thousand (pursuant to local law).
5) Equity (share capital): CNY 40,480 thousand, result 2009: CNY 1,607 thousand (pursuant to local law).

Indirect investments of STADA Arzneimittel AG through Clonmel Healthcare Limited of at least 20%:

Name of the company, registered office	Share in capital	Form of consolidation
Crosspharma Ltd., Belfast, United Kingdom	100%	subsidiary
Genus Pharmaceuticals Holdings Ltd., Newbury, United Kingdom	100%	subsidiary
SFS International Limited, Clonmel, Ireland	100%	subsidiary
STADA Financial Investments Limited, Clonmel, Ireland	100%	subsidiary
STADA Production Ireland Limited, Clonmel, Ireland	100%	subsidiary
STADApharm AB[1], Malmö, Sweden	100%	not included

Indirect investments of STADA Arzneimittel AG through Clonmel Healthcare Limited and Genus Pharmaceuticals Holdings Ltd. of at least 20%:

Name of the company, registered office	Share in capital	Form of consolidation
Genus Pharmaceuticals Ltd., Newbury, United Kingdom	100%	subsidiary
Britannia Pharmaceuticals Ltd., Newbury, United Kingdom	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through Crinos S.p.A. of at least 20%:

Name of the company, registered office	Share in capital	Form of consolidation
Laboratorio Prodotti Farmaceutici Boniscontro & Gazzone S.r.l., Milan, Italy	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through OAO Nizhpharm of at least 20%:

Name of the company, registered office	Share in capital	Form of consolidation
ZAO Makiz-Pharma, Moscow, Russia	100%	subsidiary
ZAO Skopinpharm, Ryazanskaya obl., Russia	100%	subsidiary
Nizhpharm-Kasachstan TOO DO, Almaty, Kazakhstan	100%	subsidiary
Nizhpharm-Ukraine DO, Kiev, Ukraine	100%	subsidiary
OAO Promis[2], Nizhny Novgorod, Russia	31.67%	not included
OOO STADA Marketing, Nizhny Novgorod, Russia	90%	subsidiary
OOO STADA PharmDevelopment, Nizhny Novgorod, Russia	100%	subsidiary
UAB STADA-Nizhpharm-Baltiya[3], Vilnius, Lithuania	100%	not included

Indirect investments of STADA Arzneimittel AG through Ciclum Farma, Unipessoal, LDA, of at least 20%:

Name of the company, registered office	Share in capital	Form of consolidation
STADA, LDA[4], Paco de Arcos, Portugal	98%	not included

1) Equity (share capital): SKK 16,171 thousand, result 2009: SKK -326 thousand (pursuant to local law).
2) Equity (share capital): RUB 50,853 thousand, result 2008: RUB -5,670 thousand (pursuant to local law).
3) Equity (share capital): LTL 1,105 thousand, result 2009: LTL 315 thousand (pursuant to local law).
4) Equity (share capital): EUR 5 thousand, result 2009: EUR 0 thousand (pursuant to local law).

Indirect investments of STADA Arzneimittel AG through Laboratorio STADA S.L. of at least 20%:

Name of the company, registered office	Share in capital	Form of consolidation
STADA Consumer Health, S.L.[1], Barcelona, Spain	100%	not included
STADA Genericos, S.L.[2], Barcelona, Spain	100%	not included

Indirect investments of STADA Arzneimittel AG through STADA Service Holding B.V. and Hemofarm A.D. of at least 20%:

Name of the company, registered office	Share in capital	Form of consolidation
Agrovojvodina - Vrsac A.D.[3], Vrsac, Serbia	100%	not included
Cajavec sistemi upravljanja A.D.[4], Banja Luka, Bosnia-Herzegovina	97.70%	subsidiary
Hemofarm Arabia Ltd.[5], Damascus, Syria	50%	not included
Hemofarm Banja Luka d.o.o., Banja Luka, Bosnia-Herzegovina	77.87%	subsidiary
Hemofarm Inženjering d.o.o., Belgrade, Serbia	100%	subsidiary
Hemofarm Komerc d.o.o., Skopje, Macedonia	99.18%	subsidiary
Hemofarm Sabac d.o.o.[6], Sabac, Serbia	100%	subsidiary
Hemofarm USA Corporation[7], Washington, USA	100%	not included
Hemomont d.o.o., Podgorica, Montenegro	71.02%	subsidiary
Hemopharm Engineering Gesellschaft für Planung und Projektierung mbH, Bad Homburg, Germany	100%	subsidiary
Hemopharm GmbH Pharmazeutisches Unternehmen, Bad Homburg, Germany	100%	subsidiary
Pharmasuisse AG, Chur, Switzerland	100%	subsidiary
OOO Hemofarm Obninsk, Obninsk, Russia	100%	subsidiary
STADA HEMOFARM S.R.L., Temisvar, Romania	100%	subsidiary
STADA PHARMA Bulgaria EOOD[8], Sofia, Bulgaria	100%	not included
STADA PHARMA Poland Sp. z o.o., Warsaw, Poland	100%	subsidiary
Velefarm A.D.[9], Belgrade, Serbia	20.65%	not included

Indirect investments of STADA Arzneimittel AG through STADA Service Holding B.V., Hemofarm A.D and HF Pharmasuisse AG of at least 20%:

Name of the company, registered office	Share in capital	Form of consolidation
HF Pharmasuisse Deutschland GmbH, Bad Vilbel, Germany	100%	not included

Indirect investments of STADA Arzneimittel AG through STADA Service Holding B.V., Hemofarm A.D and Hemofarm Inženjering d.o.o. of at least 20%:

Name of the company, registered office	Share in capital	Form of consolidation
OOO Hemofarm Inženjering Obninsk[10], Obninsk, Russia	100%	not included
Global Project d.o.o.[11], Vrsac, Serbia	100%	not included

1) Equity (share capital): EUR 1,146 thousand, result 2009: EUR -543 thousand (pursuant to local law).
2) Equity (share capital): EUR 5 thousand, result 2009: EUR -9 thousand (pursuant to local law).
3) Equity (share capital): RSD 36,254 thousand, result 2009: RSD 1,347 thousand (pursuant to local law).
4) In the 2009 reporting year, the shareholding was raised from 96.78% to 97.70%.
5) Equity (share capital): USD 100 thousand, result 2005: USD 0 thousand (pursuant to local law).
6) In the 2009 reporting year, the shareholding was raised as part of a state privatization program from 96.55% to 100% and the company was renamed from Koncern-Zorka-Pharma A.D. to Hemofarm Sabac d.o.o.
7) Equity (share capital): USD 777 thousand, result 2009: USD 598 thousand (pursuant to local law).
8) Equity (share capital): EUR 0 thousand, result 2009: EUR 0 thousand (pursuant to local law).
9) Equity (share capital) RSD 7,028,049 thousand, result 2009: RSD 105,607 thousand (pursuant to local law).
10) Equity (share capital): RUB 281,295 thousand, result 2009: RUB 90,698 thousand (pursuant to local law).
11) Equity (share capital): RSD 24,232 thousand, result 2009: RSD 855 thousand (pursuant to local law).

Indirect investments of STADA Arzneimittel AG through STADA Service Holding B.V., Hemofarm A.D and Hemofarm Inženjering d.o.o. as well as Global Project d.o.o. of at least 20%:

Name of the company, registered office	Share in capital	Form of consolidation
Izgradnja d.o.o.[1], Vrsac, Serbia	60%	not included

Indirect investments of STADA Arzneimittel AG through STADA Service Holding B.V., Hemofarm A.D. and Hemofarm Sabac d.o.o. of at least 20%:

Name of the company, registered office	Share in capital	Form of consolidation
Hemofarm Zorka Pharma – Hemija Sabac d.o.o., Sabac, Serbia	100%	subsidiary

1.4. Changes in the scope of consolidation due to initial consolidation

STADA Pharma Slovakia s.r.o., Bratislava, Slovakia, STADA PHARMA Poland Sp. z o.o., Warsaw, Poland, OOO STADA PharmDevelopment, Nizhny Novgorod, Russia, OOO Hemofarm Inženjering Obninsk, Obninsk, Russia, Global Project d.o.o., Vrsac, Serbia, as well as HTP Huisapotheek B.V. and Neocare B.V., both Etten-Leur, Netherlands, were consolidated for the first time in the reporting year 2009.

Dermalog ApS, Hotte, Denmark, acquired as of the purchase agreement from January 26, 2009, was merged in financial year 2009 with STADA's Danish subsidiary PharmaCoDane ApS, Copenhagen. The hidden reserves uncovered within the scope of the purchase price allocation which was carried out amount to approx. € 1.0 million.

The initial consolidations in financial year 2009 were exclusively business start-ups initiated by the Group in earlier years.

No significant effects on the consolidated balance sheet as of December 31, 2009 resulted from these changes.

1.5. Changes in the scope of consolidation due to deconsolidations

As of January 1, 2009, Health Vision Enterprise Ltd., Hong Kong, China, was deconsolidated due to lack of material significance.

With the sales agreement as of October 26, 2009, STADA sold its 51% share in Health Vision Enterprise (and thus its shares in Health Vision Enterprise Medicine).

The sales agreement provides for staggered payments of the purchase price in the total amount of approx. € 4.2 million. In the context of this sale, a book profit of € 2.2 million was generated.

No significant effects on the consolidated balance sheet as of December 31, 2009 resulted from these changes.

1) Equity (share capital): RSD 1,669 thousand, result 2009: RSD 270 thousand (pursuant to local law).

1.6. Accounting policies

1.6.1. Principles of consolidation

STADA Arzneimittel AG's consolidated financial statements have been prepared in accordance with the relevant accounting principles of the Company as presented hereinafter.

Subsidiaries are consolidated on the basis of their individual financial statements that are adjusted to conform to uniform Group financial reporting and evaluation policies (so-called trade balance sheets II).

Subsidiaries are fully consolidated as of the acquisition date, i.e. from the date on which STADA obtains control of these companies. As soon as control no longer exists, inclusion in the consolidated financial statements ends. Assets, liabilities and contingent liabilities from business combinations are generally recognized as at the acquisition date at their fair values. If the acquisition costs exceed the proportionate newly measured net assets of the acquiree, STADA recognizes goodwill in the amount of the positive difference sum. A negative difference sum is recognized in income in the period of the acquisition. Non-controlling interests are disclosed in the amount of their share in net assets of the subsidiary. Expenses and gains of subsidiaries acquired in the course of the financial year are included in the consolidated income statement as of the acquisition date.

Payables and receivables among the companies included are netted, inter-company adjustments and provisions have been dissolved. Interim results as well as earnings and expenses among the companies included are eliminated. If these consolidation measures result in deviations between the IFRS carrying amounts and the tax base of assets and liabilities, STADA takes deferred tax liabilities into account.

Shares in associated companies for which there is substantial influence are accounted for under the equity method in accordance with IAS 28. Profit and loss from transactions with such companies were recognized in STADA's consolidated financial statements only according to the share of third-party shareholders in associated companies.

Joint venture companies are proportionately consolidated in accordance with IAS 31. These include STADA Import/Export Ltd., British Virgin Islands, and STADA Vietnam J.V. Co., Ltd., Vietnam. Non-current and current assets relating to these companies in the Group's consolidated financial statements as of December 31, 2009 amount to € 6.8 million (previous year: € 7.8 million) and € 7.7 million (previous year: € 6.3 million), non-current and current liabilities and provisions were € 1.1 million (previous year: € 2.3 million) and € 7.9 million (previous year: € 6.6 million) and reported income and expenses amounted to € 9.6 million (previous year: € 7.0 million) and € 10.4 million (previous year: € 6.6 million). STADA has no capital commitments in relation to joint ventures.

Subsidiaries and joint venture companies, whose influence, both individually and as a whole, on the business, financial and earnings situation of the STADA Group is insignificant, are not consolidated. They are measured at fair value or at cost of acquisition, to the extent that no quoted market price in an active market is available. This is also applicable to equity interests. Non-consolidated companies jointly account in total for less than 1% of Group sales.

1.6.2. Uniform accounting policies

STADA's consolidated financial statements are based on uniform accounting policies. The basis for this are mandatory accounting requirements by STADA Arzneimittel AG for all Group companies.

1.6.3. Recognition of income and expenses

Revenue is recognized in accordance with IAS 18 when goods have been delivered or services rendered, it is probable that economic benefits will flow to the entity, these benefits can be measured reliably and when the significant risks and rewards of ownership of the goods have been transferred to the buyer. It must also be possible to reliably measure the company's own costs incurred or to be incurred.

Income and expenses from the same transactions are generally recognized in the same period. Expenses related to accruals for future revenue reductions are thus recorded in the period in which the sales are realized.

Cost of sales includes the costs of conversion of the products sold and the purchase price of commercial goods sold or given free of charge. In addition, cost of sales also include costs directly attributable to the commercial goods (e.g. cost of materials and personnel expenses) overhead costs (e.g. depreciation of production equipment and regulatory drug approvals and licenses) as well as write-downs of excess or obsolete inventories.

1.6.4. Research and development expenses

Research expenses are the costs of an independent, planned quest for new scientific or technical discoveries. The product portfolio of the STADA Group continues to focus on products that do not require the Group to conduct its own research. Just as in the previous year, no research expenses have been incurred in the 2009 reporting year. Development expenses consist of expenses involved in the technical and commercial implementation of theoretical discoveries.

As a rule, the objective of a development process within the STADA Group is to obtain national or multinational regulatory drug approval. Development costs relative to approvals for new drugs obtained by STADA are capitalized if the following preconditions can all be shown to have been met:

- It is technically possible to complete the asset (generally, achieve regulatory approval), enabling it to become available for use or sale.
- There must be a clear intention to use or sell the asset.
- Both the opportunity and the resources must exist to allow completion of the asset and to use or sell it in the future.
- The asset must bring the Group a future economic benefit.
- It must be possible to reliably calculate the development costs of the asset.

1.6.5. Goodwill

Until December 31, 2003, this goodwill was amortized using the straight-line method over a period of useful life that is uniform throughout the Group. Since financial year 2004, goodwill has no longer been amortized on a straight-line basis over the period of useful life. Instead, an impairment test is performed at least once per year (impairment-only approach). For this purpose, goodwill is allocated to cash-generating units, where a cash-generating unit according to the strategic planning and control of STADA Group by region, generally corresponds to a country or a company.

Goodwill is regularly tested for impairment once a year in the fourth quarter. Additional reviews take place if indications of impairment become apparent. In order to assess recoverability, the carrying amount of each cash-generating unit is determined by ascertaining assets and liabilities as well as corresponding goodwill. If the recoverable amount of a cash-generating unit is lower than the carrying amount, an impairment loss results. The recoverable amount is defined as the higher of the net realizable value and the present value of estimated future net cash inflows from the cash-generating unit. The discounted cash flow method is used to determine anticipated cash inflows, applying a uniform pre-tax interest rate of 8.4% (previous year: 9.5%) throughout the Group and a planning horizon of three years. An inflation-adjusted growth rate of 1.5% (previous year: 1.5%) has been assumed throughout the Group for the period after the planning horizon elapses.

1.6.6. Other intangible assets

Intangible assets acquired are recognized at cost less straight-line amortization. The useful life of regulatory drug approvals, trademarks, licenses, dossiers with data for or in preparation of drug approvals, software, concessions, copyrights and similar rights is between 3 and 20 years. Impairment losses are recognized pursuant to IAS 36 wherever indicated by impairment tests.

Internal development costs are capitalized in accordance with the criteria in IAS 38. Capitalized development costs consist mainly of costs that can be allocated to the projects, such as the costs of individuals working in development, material costs and external services, together with a portion of directly allocable overhead costs. Internally created intangible assets are amortized on a straight-line basis over their useful life (generally 20 years). STADA immediately recognizes non-capitalizable development costs as expense in the periods in which they are incurred.

1.6.7. Property, plant and equipment

Property, plant and equipment are reported at cost less scheduled depreciation and impairment losses plus write-ups. Subsequent acquisition costs are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalized as part of the cost of that asset in accordance with IAS 23. Other borrowing costs are not capitalized. Where acquisitions are made in a currency other than the (respective) functional currency, subsequent changes in exchange rates have no impact on the recording of original costs.

Items of property, plant and equipment are depreciated according to their useful life using the straight-line method. The depreciation period may be up to 50 years in the case of buildings, 8 to 20 years in the case of technical facilities and 3 to 14 years for other plant and office furniture and equipment. To the extent necessary, impairment losses are recognized pursuant to IAS 36; these are reversed if the reasons for the original recognition of an impairment loss no longer exist.

1.6.8. Leasing

Where items are rented or leased and beneficial ownership lies with the Group company concerned (finance lease), they are capitalized at cost, which, pursuant to IAS 17, is determined as the lower of the present value of the minimum lease payments and the fair value of the leased asset, and depreciated over their useful life. The present value of the minimum lease payments is reported as liabilities. The total value of these capitalized leased assets is not of material significance when compared with the total volume of non-current assets.

1.6.9. Financial assets

Financial assets available for sale are generally reported at fair value with no effect on income. Financial shareholdings that do not have a quoted market price in an active market and whose fair value cannot be determined reliably are measured at cost of acquisition in subsequent measurement. Reductions in value are determined and recognized in profit or loss by means of an impairment test in accordance with IAS 39.

1.6.10. Shares in associated companies recognized under the equity method

An associate is an entity, the business and financial policies of which STADA can significantly influence and that is neither a subsidiary nor an interest in a joint venture. Shares in associated companies are accounted for under the equity method in accordance with IAS 28. At STADA, this relates solely to the accounting of BIOCEUTICALS Arzneimittel AG.

1.6.11. Inventories

Inventories are measured at cost. As required by IAS 2, the cost of sales includes both costs that are directly incurred in production and overheads that can be allocated to the production process, including reasonable depreciation on production facilities. Financing costs are not included but are instead recognized as an expense in the period in which they occur. Inventory costs are calculated based on weighted average costs.

STADA recognizes impairment losses on inventories, if their net realizable value is below cost.

1.6.12. Receivables and other assets

Receivables and other assets primarily include trade accounts receivable, purchase price receivables, loans receivable and other receivables. Receivables and other assets are recognized at amortized cost. Exceptions to this are derivative financial assets, which are recognized at fair value in profit or loss.

1.6.13. Non-current assets held for sale

Recognition relates to non-current assets that meet the requirements for classification as held for sale in accordance with IFRS 5 on the balance sheet date. Accounting of these assets is based on the lower of carrying amount and fair value less costs to sell.

1.6.14. Current securities

Current securities are allocated to the categories “held to maturity” and “available for sale” and are recognized at amortized cost or at fair value with no effect on income.

1.6.15. Cash and cash equivalents

Under “cash and cash equivalents”, cash holdings, short-term call deposits and fixed term deposits with a remaining term of up to 90 days are disclosed. Cash and cash equivalents are reported in accordance with their definition in IAS 7.

1.6.16. Pension provisions

The provisions for pensions and similar obligations reported in the consolidated financial statements of STADA Arzneimittel AG are based on actuarial principles for defined benefit plans. IAS 19 stipulates valuation using the Projected Unit Credit method. According to IAS 19, the calculation shall include, apart from earned pensions and entitlements, future salary and pension increases as well. Future pension benefits are subject to individual pension agreements. Percentages contained in individual pension agreements may vary.

STADA recognizes actuarial gains and losses from defined benefit plans in equity with no effect on income. The relevant amounts are reported separately in the Group statements of comprehensive income.

1.6.17. Other provisions

For a provision to qualify for recognition there must be a present legal or constructive obligation to third parties and the probability of an outflow of resources embodying economic benefits to settle that obligation. An outflow of resources is considered as probable, if it is more likely than not. Accordingly, STADA assumes for the provisions presented here that an outflow of economic resources is probable.

STADA only reports liabilities of uncertain timing or amount in the item “Other current provisions”. Liabilities incurred due to outstanding accounts or obligations vis-à-vis personnel and tax authorities, as well as other liabilities are not recorded as provisions, but under “Trade accounts payable” or “Other liabilities”.

Provisions are recognized in the amount of the expected expenses which are probable to be required to settle the accrued current liabilities.

1.6.18. Deferred taxes

Deferred taxes comprise the expectation of future tax burdens or benefits, that will result from the reduction of differences between valuation rates of assets and liabilities pursuant to IFRS and their tax base. STADA determines deferred taxes on the basis of the tax rates applicable at the balance sheet date or that have already been resolved and communicated for the future.

1.6.19. Financial liabilities

The liabilities of STADA Group are generally reported at amortized cost using the effective interest method.

1.7. Currency translation

The consolidated financial statements of STADA Arzneimittel AG are expressed in euro. In the separate financial statements of subsidiaries, foreign currency transactions are translated at the exchange rate applicable at the time of the transactions. Monetary assets and liabilities stated in foreign currency are translated at the closing rate. Exchange gains and losses are recognized in "Other operating income" or "Other operating expenses". Exempt from the income approach are currency differences from the conversion of monetary items representing an increase or reduction of a net investment in a foreign operation. Such differences are recorded in equity with no effect on profit or loss until disposal of the investment.

Essential currency relations	Middle rate on Dec. 31 in €			Average rate for the calendar year in €		
in local currency to €	2009	Previous year	±%	2009	Previous year	±%
Pound sterling	1.11957	1.04167	+7%	1.12275	1.24404	-10%
Russian ruble	0.02307	0.02366	-2%	0.02259	0.02715	-17%
Serbian dinar	0.01040	0.01112	-6%	0.01062	0.01220	-13%
US dollar	0.69915	0.71546	-2%	0.71659	0.67840	+6%

The Group enters into futures and options contracts to hedge currency risks. Notes on financial instruments and principles of risk and capital management can be found under note 6.5.6.

Annual financial statements of subsidiaries prepared in foreign currencies are translated in accordance with IAS 21 using the functional currency concept. Foreign subsidiaries in the STADA Group are regarded as commercially independent sub-units.

Balance sheet items are generally translated at closing rates. Excepted from this is the equity which is converted at historical rates.

Income and expense items are converted at average annual rates. Excepted from this are write-downs on goodwill which are converted at historical rates in accordance with IAS 21.

Currency translation differences arising from the use of different exchange rates for items in the balance sheet and the income statement or statement of comprehensive income are netted in shareholders' equity with no effect on income.

1.8. Use of estimates

In preparing the consolidated financial statements, there is a strictly limited need to estimate certain items. The main areas of application for estimates are the determination of the useful life of assets from non-current assets, the measuring of discounted cash flows in the scope of impairment tests and the creation of provisions for ongoing legal procedures, retirement benefits and corresponding disclosures, taxes, inventory valuations, discounts, returns, product liability, warranties as well as disclosures pursuant to IFRS 7, whereby estimates are particularly important in terms of provisions reported for damages in the amount of € 2.4 million (previous year: € 15.8 million). STADA's estimates are respectively based on experience and other assumptions that are considered to be applicable in the particular circumstances. The actual values can – although the estimates and assumptions are constantly reviewed – differ from the estimates.

2. Notes to the Consolidated Income Statement

Consolidated income statement structure

The structure of the consolidated income statement follows the internationally accepted cost-of-sales method. STADA adds extra items to the minimum disclosure requirements given in IAS 1.82, where this is necessary for further clarification of the earnings situation.

2.1. Sales

Sales in € 000s	2009	Previous year
Sales	1,568,779	1,646,164

With regard to how sales are broken down, reference is made to item 5 of segment reporting.

2.2. Cost of sales

Cost of sales in € 000s	2009	Previous year
Cost of sales	845,390	904,012

Cost of sales also include write-downs of existing but obsolete inventories. The cost of sales in financial year 2009 include a total burden in the amount of € 29.9 million (previous year: € 33.3 million) as a result of valuation changes. In addition, cost of sales also include all costs for logistics which occur until the completion of the final product. Total material expenses incurred in cost of sales amount to € 690.8 million (previous year: € 750.4 million).

2.3. Gross profit

Gross profit in € 000s	2009	Previous year
Gross profit	723,389	742,152

The sales-related gross margin in financial year 2009 improved to 46.1% (previous year: 45.1%).

2.4. Other operating income

Other operating income in € 000s	2009	Previous year
Income from write-ups	2,701	2,176
Income from reductions of valuation allowances and similar income	1,276	2,466
Income from disposal of non-current assets	2,974	1,820
Currency translation gains	11,757	9,745
Income from the reversal of provisions	3,963	1,940
Remaining other operating income	25,925	33,076
Total	**48,596**	**51,223**

Income from write-ups in the amount of € 2.7 million is also reported as a special effect as is € 0.7 million income from the reversal of value adjustments which are reported as part of earnings from the reduction of value adjustments and similar income. This income corresponds to the write-downs on receivables in various CEE countries in the amount of € 7.9 million reported under other operating expenses and balance out to a total burden in the amount of € 7.2 million.

At € 2.2 million, income from the disposal of non-current assets is related to a book profit from the sale of Health Vision Enterprise Ltd., which is reported as a special effect.

Income from the reversal of provisions includes a one-time special effect in the amount of € 3.5 million from provisions occurred which were not required as a consequence of the negative patent decision for STADA in Germany in connection with the active pharmaceutical ingredient Olanzapine.

Moreover, other operating income includes a successful sale in the amount of € 0.8 million from a commission business by Britannia Pharmaceuticals.

The currency translation expenses countering the currency translation gains are reported under other operating expenses (see 2.8.).

The remaining other operating income includes such items as income from insurance compensation, compensation claims and other income not directly associated with functional costs.

2.5. Selling expenses

Selling expenses in € 000s	2009	Previous year
Selling expenses	346,084	369,560

Reported selling expenses comprise in addition to the costs for sales departments and sales force, the costs for advertising and marketing activities including samples for doctors. They also include all costs for logistics that occur for completed final products. Discounts in the form of free retail packages (so-called discounts in kind) – if possible under the legal regulations in a national market – are not included; the resulting expenses are recognized as a part of cost of sales.

The selling expenses include depreciation in the amount of € 7.3 million (previous year € 6.5 million).

2.6. General and administrative expenses

General and administrative expenses in € 000s	2009	Previous year
General and administrative expenses	124,963	119,870

Personnel and material costs of service and administrative units are reported under general and administrative expenses, unless they have been charged to other functional areas as internal services.

The general and administrative expenses include depreciation in the amount of € 8.7 million (previous year € 9.0 million). General and administrative expenses also include administrative cost burdens from consulting expenses in connection with the project "STADA – build the future" in the amount of € 2.3 million which is reported by STADA as a special effect.

2.7. Research and development expenses

Research and development expenses in € 000s	2009	Previous year
Research and development expenses	46,648	46,524

The product portfolio of STADA continues to focus on products that do not require it to conduct its own research. For this reason, as in the previous year, no research expenses were incurred at STADA in reporting year 2009.

In financial year 2009, development costs for new products in the amount of € 14.8 million (previous year: € 13.8 million) were capitalized (see 3.1.).

The research and development expenses include depreciation in the amount of € 2.8 million (previous year € 2.4 million).

2.8. Other operating expenses

Other operating expenses in € 000s	2009	Previous year
Value adjustment of accounts receivable and similar expenses	12,518	7,887
Losses on the disposal of non-current assets	2,121	1,206
Currency translation expenses	15,820	22,707
Impairment losses on non-current assets excluding goodwill	15,208	7,119
Remaining other operating expenses	16,706	42,063
Total	**62,373**	**80,982**

Value adjustment of accounts receivable and similar expenses includes write-downs on receivables in various CEE countries in the amount of € 7.9 million which are reported by STADA as one-time special effects due to the expected one-time character of these write-downs.

Reported currency translation expenses in the amount of € 15.8 million (previous year: € 22.7 million) include a one-time special effect in the amount of € 1.1 million for currency translation expenses from a Russian subsidiary in connection with an existing loan from the financing of an earlier acquisition. Furthermore, currency translation expenses also include € 0.6 million which were to be re-booked from the foreign currency translation reserve to other operating expenses with an effect on income in the reporting year.

Other operating expenses include impairment losses on non-current assets in the amount of € 13.7 million, which were reported as one-time special effect.

Within remaining other operating expenses unscheduled personnel expenses in the amount of € 5.3 million (previous year: € 7.6 million) are reported, of which € 2.0 million in expenses are related to the departure of the Chief Financial Officer of STADA as a one-time special effect. Additional € 1.2 million relate to unscheduled personnel expenses in connection with the merger of locations in the United Kingdom, which also qualify as a one time special effect.

2.9. Operating profit

Operating profit in € 000s	2009	Previous year
Operating profit	191,917	176,439

The sales-related operating margin in 2009 improved to 12.2% (previous year: 10.7%).

2.10. Investment income

Investment income in € 000s	2009	Previous year
Investment income	831	1,235

Investment income predominantly relates to profit distributions from unconsolidated companies. In the reporting year 2009 as well as in 2008, this item includes a dividend payment from a non-consolidated Group company in which STADA holds a 50% stake in the amount of € 0.8 million (previous year: € 1.1 million).

2.11. Result from the accounting of shares in associated companies under the equity method

Result from the accounting of shares in associated companies under the equity method in € 000s	2009	Previous year
Result from the accounting of shares in associated companies under the equity method	-287	-2,473

The result from the accounting of shares in associated companies under the equity method relates to the accounting of BIOCEUTICALS Arzneimittel AG. This disclosure in accordance with IAS 28 is carried out since STADA Arzneimittel AG has substantial influence on BIOCEUTICALS Arzneimittel AG. This substantial influence is due, among other things, to the partial identity of management personnel between BIOCEUTICALS Arzneimittel AG and STADA Arzneimittel AG (see 3.4. and 6.8.2.).

2.12. Interest result

Interest result in € 000s	2009	Previous year
Interest income	10,930	19,128
thereof: From financial instruments of the valuation categories in accordance with IAS 39:		
• Loans and receivables recognized at amortized cost	4,047	17,411
• Income from the valuation of interest rate hedge transactions	6,883	1,717
Interest expenses	-61,855	-88,806
thereof: From financial instruments of the valuation categories in accordance with IAS 39:		
• Financial liabilities valued with amortized costs	-48,916	-69,715
• Expenses from the valuation of interest rate hedge transactions	-9,971	-17,210
Interest result	**-50,925**	**-69,678**

The net expense from interest rate hedge transactions amounted to € 3.1 million in 2009 (previous year: burden of € 15.5 million).

The interest result includes an amount of € -0.8 million, resulting from the reclassification of the cash flow hedges reserve.

2.13. Financial result

Financial result in € 000s	2009	Previous year
Investment income	831	1,235
Result from the accounting of shares in associated companies under the equity method	-287	-2,473
Interest result	-50,925	-69,678
thereof: Expenses from the valuation of interest rate hedge transactions	-3,088	-15,493
Financial result	**-50,381**	**-70,916**

In financial year 2009, the Group refinanced itself at interest rates between 1.1% and 11.0% (previous year: between 3.2% and 21.0%). On the balance sheet date of December 31, 2009, the weighted average interest rate for non-current financial liabilities was approx. 4.5% (previous year: approx. 4.8%) and for current financial liabilities approx. 3.0% (previous year: approx. 3.8%).

The effects from interest rate hedge transactions are as follows:

- Burden on earnings from the evaluation of an interest rate hedge transaction of a Russian subsidiary completed in the fourth quarter of 2008 to stabilize interest rates of existing loans from a previous acquisition financing in the amount of € 1.2 million before or € 0.9 million after taxes (see “Earnings Situation – Development of Earnings and Costs – Financial result”); in this context the variable interest rate of an existing ruble loan with a term until 2010 was swapped against a fixed interest rate and a conditioned compensation payment the realization and amount of which is dependent on the ruble/euro currency relation at the end of the term of the interest rate hedge transaction. In view of an expected continued high volatility of the ruble, STADA concluded a hedge transaction in the course of the third quarter of 2009, which limits the loss exposure in the event of any further weakening of the ruble to a rate of 45 ruble to 1 euro. In the current first quarter of 2010, an interest rate swap of a

Russian subsidiary which also included a compensation payment based on the currency relation ruble/euro, expired without a substantial financial burden on the financial result in financial year 2010.

- Burden on earnings from the evaluation of further interest rate hedge transactions in the Group in the amount of € 1.9 million before or € 1.2 million after taxes. In the previous year, there was a burden on earnings in the amount of € 5.4 million before or € 3.6 million after taxes. The valuation of interest rate hedge transactions depends on the development of the money market interest rate.

2.14. Earnings before taxes

Earnings before taxes in € 000s	2009	Previous year
Earnings before taxes	141,536	105,523

Earnings before taxes include depreciation and amortization net of write-ups of € 87.6 million (previous year: € 80.2 million) and € 247.2 million in personnel expenses (previous year: € 253.0 million).

By adjusting earnings before taxes for all one-time special effects as well as all non-operational effects from currency influences and interest rate hedge transactions results in adjusted earnings before taxes in the amount of € 163.0 million (previous year: € 164.8 million) (see 6.3.1.).

2.15. Taxes on income

Taxes on income in € 000s	2009	Previous year
Actual taxation	40,591	38,827
• thereof expenses outside of the accounting period	5,494	814
• thereof income outside of the accounting period	449	159
Deferred taxes	197	-10,368
Taxes on income	**40,788**	**28,459**
Taxation ratio	**28.8%**	**27.0%**

The item “Taxes on income” includes taxes on income and earnings paid or owed in the individual countries as well as deferred taxes. Other taxes that cannot be meaningfully attributed to the sales, administration or research and development functions are included in “Other operating expenses”.

The increase can be attributed to, among other things, a structurally changed regional profit allocation within the scope of improved net profit as well as to specific temporary issues in Group taxes; for the coming years, a decreasing tax rate is once again anticipated.

Tax loss carryforwards are only capitalized if their future utilization is probable. Tax loss carryforwards capitalized as of the December 31, 2009 reporting date amount to € 10.9 million (previous year: € 21.6 million). The deduction of operating expenses, which is limited under German tax law (so-called interest barrier), led to an net interest expense in the amount of € 16.3 million (previous year: € 24.4 million) in 2009. Deferred tax liabilities could not be recognized, which led to a corresponding additional tax burden of € 3.9 million (previous year: € 5.8 million).

Deferred taxes result from deviation between the valuation rates in the consolidated balance sheet and the tax values of assets and liabilities.

The reported deferred tax liabilities are as follows:

Deferred taxes in € 000s	Dec. 31, 2009 Deferred tax assets	Dec. 31, 2008 Deferred tax assets	Dec. 31, 2009 Deferred tax liabilities	Dec. 31, 2008 Deferred tax liabilities
Intangible assets	1,629	4,491	56,982	60,611
Property, plant and equipment	1,384	1,252	11,703	9,215
Financial assets	1,274	1,028	-	-
Inventories	9,003	6,398	2,583	1,936
Receivables	2,086	671	84	445
Other assets	2,850	3,410	11	24
Pension provisions	1,710	2,771	-	-
Other provisions	1,986	795	172	664
Liabilities	6,509	5,624	447	28
Tax loss carryforwards	1,406	2,458	-	-
Offsetting	-7,320	-142	-7,320	-142
Total deferred taxes	**22,517**	**28,756**	**64,662**	**72,781**

The following overview explains the deviation between the calculated tax expense and the tax expense reported in the consolidated financial statements. The calculated tax expense is the product of the weighted Group tax rate and net profit before taxes. It takes into account for all domestic and foreign companies the national tax rates applicable to their various legal forms.

Calculation of income tax expense in € 000s	2009	Previous year
Earnings before taxes	141,536	105,523
Expected weighted average tax rate	25.2%	21.7%
Calculated tax expense	35,631	22,924
Tax effects due to application of IAS 12.34 (use of tax losses carried forward)	1,052	1,630
Taxes outside of the accounting period	5,045	655
Tax rate change	-	611
Tax effects due to non-deductible expenses and other items	-940	2,639
Income tax expense shown on the income statement	**40,788**	**28,459**
• thereof deferred taxes	197	-10,368
Actual taxation ratio	28.8%	27.0%

STADA is currently undergoing a regular tax audit for the financial years 2003 to 2006. No final results are available at this time.

2.16. Net income

Net income in € 000s	2009	Previous year
Net income	100,748	77,064
• thereof net income distributable to shareholders of STADA Arzneimittel AG	100,437	76,246
• thereof net income relating to non-controlling shareholders	311	818

Unless otherwise stated, "net income" in this report refers to income attributable to the shareholders' stake in STADA Arzneimittel AG, which represents the basis for calculating earnings per share and diluted earnings per share.

Net income relating to non-controlling shareholders reflects minority interest profits within the Hemofarm Group as well as STADA Asiatic.

Thus, net income was 6.4% of sales in 2009 (previous year: 4.6%).

Adjusting net income for all one-time special effects as well as all non-operational effects from currency influences and interest rate hedge transactions results in an adjusted net income in the amount of € 115.8 million (previous year: € 116.0 million) (see 6.3.1.).

2.17. Earnings per share

Earnings per share	2009	Previous year
Net income distributable to shareholders of STADA Arzneimittel AG in € 000s	100,437	76,246
Average number of shares	58,662,392	58,632,021
Earnings per share in €	1.71	1.30

Non-diluted basic earnings per share are calculated by dividing net income distributable to the shareholders of STADA Arzneimittel AG by the average number of shares outstanding. The number of shares increased in 2009.

By taking net income adjusted for one-time special effects as well as all non-operational effects from currency influences and interest rate hedge transactions (see 2.16. and 6.3.1.) as a basis results in earnings per share adjusted for these effects in the amount of € 1.97 (previous year: € 1.98).

2.18. Diluted Earnings per share

Diluted Earnings per share	2009	Previous year
Net income distributable to shareholders of STADA Arzneimittel AG in € 000s	100,437	76,246
Average number of shares	58,662,392	58,632,021
Potentially diluting shares from warrants 00/15 (ISIN DE0007251845)	259,297	717,225
Average number of shares (incl. potentially diluting shares from warrants 00/15)	58,921,689	59,349,246
Diluted earnings per share in €	1.70	1.28

Diluted earnings per share are calculated by dividing net income distributable to the shareholders of STADA Arzneimittel AG by the average number of shares outstanding, adjusted for the effect of still out standing warrants, taking into account the share price at the reporting date. For the calculation of diluted earnings per share, it is assumed that all warrants potentially affecting dilution would be exercised.

3. Notes to the Consolidated Balance Sheet

3.1. Intangible assets

Intangible assets in € 000s	Regulatory drug approvals, trademarks, software, licenses and similar rights	Goodwill	Payments made and capitalized development costs for current projects	Total
Accumulated cost as of Jan. 1, 2009	**812,506**	**364,922**	**119,169**	**1,296,597**
Currency translation differences/adjustments	-12,446	-7,770	-733	-20,949
Changes in the scope of consolidation	57	-5,723	-152	-5,818
Additions	30,997	276	42,523	73,796
Disposals	11,246	-	958	12,204
Reclassifications	31,061	-	-30,350	711
Accumulated cost as of Dec. 31, 2009	**850,929**	**351,705**	**129,499**	**1,332,133**
Accumulated amortization as of Jan. 1, 2009	**245,194**	**25,810**	**24,741**	**295,745**
Currency translation differences/adjustments	-1,640	191	-	-1,449
Changes in the scope of consolidation	40	-5,541	-72	-5,573
Straight-line depreciation	43,884	-	-	43,884
Impairments	6,815	-	6,878	13,693
Disposals	11,553	-	-	11,553
Write-ups	2,473	-	228	2,701
Reclassifications	11	-	-11	-
Accumulated amortization as of Dec. 31, 2009	**280,278**	**20,460**	**31,308**	**332,046**
Net book value as of Dec. 31, 2009	**570,651**	**331,245**	**98,191**	**1,000,087**
Net book value as of Dec. 31, 2008	**567,312**	**339,112**	**94,428**	**1,000,852**

Goodwill reported under “intangible assets” in the consolidated financial statements predominantly reflects differences arising from the consolidation of equity. These amounts stem from the initial consolidation of subsidiaries included in financial years since 1996.

The subsequent table shows all goodwill with a residual carrying amount of more than € 10 million as of Dec. 31, 2009.

in € million	Residual carrying amount Dec. 31, 2009
Hemofarm A.D. subgroup, Serbia	118.5
OAO Nizhpharm / MAKIZ group, Russia, grouped together as one cash-generating unit	65.7
Laboratorio STADA S.L., Spain	56.5
Ciclum Farma, Unipessoal LDA, Portugal	24.3
Genus Pharmaceuticals Ltd., United Kingdom	18.6
Clonmel Healthcare Limited, Ireland	10.8

Goodwill of the MAKIZ group and OAO Nizhpharm, both Russia, are grouped together as one cash-generating unit because of their structural network.

Development costs of € 14.9 million were capitalized in financial year 2009 (previous year: € 14.6 million). Capitalized development costs consist mainly of costs that can be allocated to the projects, such as the costs for individuals working in development, material costs and external services, together with a portion of directly allocable overhead costs. Internally created intangible assets are amortized on a straight-line basis over their useful life (generally 20 years). STADA immediately recognizes non-capitalizable development costs as expense in the periods in which they are incurred (see 2.7.).

Amortization on intangible assets relates to regulatory drug approvals and trademarks and is recognized in the income statement primarily under cost of sales.

Included in intangible assets in the amount of € 11.7 million is software which was recognized in the context of a sale-and-lease-back trade in accordance with IAS 17, which was carried out in financial year 2009, with the present value of minimum lease payments applied.

Borrowing costs capitalized in 2009 for intangible assets and directly attributable to the acquisition or the production of a qualifying asset amounted to € 0.01 million. The capitalization rate taken as a basis for determining capitalizable borrowing costs amounted to 5.7%.

3.2. Property, plant and equipment

Property, plant and equipment in € 000s	Land, leasehold rights and buildings including buildings on third-party land	Plant and tools and machinery equipment	Other fixtures and fittings tools and equipment	Advance payment and construction in progress	Total
Accumulated cost as of Jan. 1, 2009	**221,908**	**160,861**	**78,690**	**31,682**	**493,141**
Currency translation differences/adjustments	-5,917	-4,644	-1,910	-604	-13,075
Changes in the scope of consolidation	374	111	236	-462	259
Additions	2,113	9,172	8,423	31,121	50,829
Disposals	464	8,716	8,761	415	18,356
Reclassifications	11,657	18,337	4,537	-41,090	-6,559
Accumulated cost as of Dec. 31, 2009	**229,671**	**175,121**	**81,215**	**20,232**	**505,239**
Accumulated amortization as of Jan. 1, 2009	**53,848**	**86,056**	**46,081**	**535**	**186,520**
Currency translation differences/adjustments	-1,747	-2,212	-1,177	364	-4,772
Changes in the scope of consolidation	488	29	5	-	522
Straight-line depreciation	8,254	14,646	8,348	-	31,248
Impairments	1,180	-	-	-	1,180
Disposals	412	7,447	7,265	-	15,124
Reclassifications	-1,480	-1	1	-888	-2,368
Accumulated amortization as of Dec. 31, 2009	**60,131**	**91,071**	**45,993**	**11**	**197,206**
Net book value as of Dec. 31, 2009	**169,540**	**84,050**	**35,222**	**20,221**	**309,033**
Net book value as of Dec. 31, 2008	**168,060**	**74,805**	**32,609**	**31,147**	**306,621**

Borrowing costs capitalized in 2009 in property, plant and equipment amount to € 0.2 million. The capitalization rate taken as a basis for determining capitalizable borrowing costs amounts to 3.6%.

3.3. Financial assets

Financial assets in € 000s	Available-for-sale financial assets (AfS)	Other loans	Total
Accumulated cost as of Jan. 1, 2009	**31,271**	**40**	**31,311**
Currency translation differences / adjustments	-1,174	-	-1,174
Changes in the scope of consolidation	-138	-	-138
Additions	125	-	125
Disposals	26	-	26
Accumulated cost as of Dec. 31, 2009	**30,058**	**40**	**30,098**
Accumulated impairments as of Jan. 1, 2009	**10,497**	**3**	**10,500**
Currency translation differences / adjustments	-277	-	-277
Impairments in the reporting year	335	-	335
Disposals	26	-	26
Accumulated impairments as of Dec. 31, 2009	**10,529**	**3**	**10,532**
Residual carrying amounts as of Dec. 31, 2009	**19,529**	**37**	**19,566**
Residual carrying amounts as of Dec. 31, 2008	**20,774**	**37**	**20,811**

With regard to the financial assets held for sale, no sale is currently planned.

3.4. Shares in associated companies recognized under the equity method

Shares in associated companies recognized under the equity method in € 000s	Dec. 31, 2009	Previous year
As of January 1, 2009	4,388	6,861
Increase in investment share	3,077	-
Result from equity method valuation / proportionate change in reserve Available for Sale	-265	-2,473
As of December 31, 2009	7,200	4,388

The disclosure relates solely to the accounting of BIOCEUTICALS Arzneimittel AG.

BIOCEUTICALS Arzneimittel AG reported as of December 31, 2009 assets of € 47.2 million (previous year: € 59.6 million) and liabilities of € 46.6 million (previous year: € 58.5 million). The revenues and profit for the period amount to € 26.7 million (previous year: € 16.1 million) and € 0.9 million (previous year: € -14.3 million) in the reporting year.

BIOCEUTICALS Arzneimittel AG has so far not made use of own personnel to carry out all business activities – except for the company's boards according to stock corporation law – but has exclusively charged companies from the STADA Group with this, which invoice at normal market conditions.

Also see 6.8.2. with regard to relations between BIOCEUTICALS Arzneimittel AG and STADA.

3.5. Non-current trade accounts receivable

Non-current trade accounts receivable in € 000s	Dec. 31, 2009	Previous year
Non-current trade accounts receivable from third parties	2,638	1,325

Non-current trade accounts receivable from third parties include, among other items, long-term receivables to companies and equity interests consolidated on a pro rata basis.

3.6. Non-current income tax receivables

Non-current income tax receivables in € 000s	Dec. 31, 2009	Previous year
Non-current income tax receivables	1,064	4,306

3.7. Other non-current assets

Other non-current assets in € 000s	Dec. 31, 2009	Previous year
Outstanding purchase price receivables	2,788	672
Other	41,681	45,182
Total	**44,469**	**45,854**

In the context of the outstanding purchase price receivable in the amount of € 2.8 million reported as of December 31, 2009 it is a matter of a partial amount of the purchase price receivable from the sale of Health Vision Enterprise Ltd. in the fourth quarter of 2009.

3.8. Deferred tax assets

Deferred tax assets in € 000s	Dec. 31, 2009	Previous year
Deferred tax liabilities from temporary differences	21,111	26,298
Deferred tax liabilities from tax loss carryforwards	1,406	2,458
Total	**22,517**	**28,756**

Reported under the item “Deferred tax for tax loss carryforwards” are, with high probability, expected tax benefits from the future use of corporate income tax and trade tax loss carryforwards.

3.9. Inventories

Inventories in € 000s	Dec. 31, 2009	Previous year
Raw and auxiliary materials and manufacturing supplies	56,147	64,424
Work in progress	15,972	15,464
Finished goods	297,665	310,994
Advance payments made	5,199	5,991
Total	**374,983**	**396,873**

Revaluations on inventories amounted to € 29.9 million in the reporting year (previous year: € 33.3 million) and are reflected in the carrying amount of € 375.0 million (previous year: € 396.9 million).

3.10. Current trade accounts receivable

Current trade accounts receivable in € 000s	Dec. 31, 2009	Previous year
Trade accounts receivable from third parties	441,157	467,075
Trade accounts receivable from non-consolidated Group companies	3,440	6,909
Value adjustments vis-à-vis third parties	-25,162	-15,798
Total	**419,435**	**458,186**

Of the total amount of trade receivables in relation to third parties, on the balance sheet date € 359.8 million (previous year: € 381.2 million) were neither past due nor impaired. The remaining current trade accounts receivable are either past due or impaired in the following time periods:

Trade accounts receivable from third parties in € 000s	Dec. 31, 2009	Previous year
Not overdue	362,961	384,302
• of which impaired	3,167	3,108
Overdue up to 30 days	25,235	24,343
• of which impaired	1,476	270
Overdue between 31 and 90 days	16,488	23,305
• of which impaired	262	334
Overdue between 91 and 180 days	10,512	14,921
• of which impaired	1,540	1,058
Overdue more than 180 days	25,961	20,204
• of which impaired	18,717	11,028
Total carrying amounts	**441,157**	**467,075**
• of which impaired	**25,162**	**15,798**

STADA creates value adjustments for doubtful receivables in order to book estimated losses that are the result of the insolvency of customers. The basis for the evaluation of the suitability of the value adjustments on doubtful receivables includes the due date structure of the net receivables and experience relating to the writing-off of receivables in the past, the creditworthiness of the customer as well as changes in the payment conditions. Non-impaired receivables exist generally with customers of impeccable financial standing.

In the case of a worsening in the financial situation of the customer, the scope of the actual write-off to be taken may exceed the scope of the expected write-off.

The following chart shows expenses and income from value adjustments to receivables, from the complete write-off of receivables and from the receipt of payment for receivables that had already been written off:

Income and expenses in € 000s	2009	Previous year
Income from the reduction of value adjustments on receivables and the receipt of payment for receivables written off as well as similar income	1,276	2,466
Expenses due to value adjustment of accounts receivable as well as similar expenses	12,518	7,887

Reported income is shown under other operating income (see 2.4.), reported expenses under other operating expenses (see 2.8.).

The subsequent chart shows the development of value adjustments:

Value adjustments in € 000s	2009	Previous year
As of January 1, 2009	15,798	12,412
Added	12,518	7,887
Utilized	1,387	2,035
Reversed	1,276	2,466
Currency translation differences	-491	-
As of December 31, 2009	25,162	15,798

In 2009, the largest value adjustment reported as a one-time special effect in other operating expenses resulted from receivables in the net amount of € 7.2 million from local wholesalers in various CEE countries against the backdrop of the macroeconomic framework conditions of the global financial and economic crisis.

3.11. Current income tax receivables

Current income tax receivables in € 000s	Dec. 31, 2009	Previous year
Current income tax receivables in € 000s	30,319	26,108

3.12. Other current assets

Other current assets in € 000s	Dec. 31, 2009	Previous year
Outstanding purchase price receivables	900	16,321
Receivables due from the tax authorities	8,604	12,048
Prepaid expenses/deferred charges	8,044	9,631
Other	39,983	24,746
Total	57,531	62,746

The outstanding purchase price receivable reported in the previous year related to the second purchase price installment from the sale of STADA Inc. (USA) to DAVA Inc. from the year 2006.

3.13. Non-current assets held for sale

Non-current assets held for sale in € 000s	Dec. 31, 2009	Previous year
Non-current assets held for sale	5,582	2,103

In the reporting year the disclosure in accordance with IFRS 5 continues to relate to a shareholding in a company which is active in the area of product development. In addition, a property and a building were added in the reporting year.

The valuation results from the relevant lower figure from carrying amount and fair value minus cost to sell.

3.14. Current securities

Current securities in € 000s	Dec. 31, 2009	Previous year
Current securities	369	66

Current securities include financial instruments in the amount of € 63,000 categorized as Afs (available for sale).

3.15. Cash and cash equivalents

Cash and cash equivalents in € 000s	Dec. 31, 2009	Previous year
Checks, cash and bank balances	156,936	110,479

The development of cash and cash equivalents is shown in the above cash flow statement.

3.16. Equity

Pursuant to IAS 1.134, STADA understands capital exclusively as equity reported in the Group's balance sheet and aims to continuously improve its market value through optimal capital management.

Group equity amounted to € 869.7 million as of the balance sheet date (previous year: € 839.7 million). Thus, an equity-to-assets ratio of 35.5% existed at the balance sheet date, December 31, 2009 (previous year: 34.0%).

3.17. Share capital

As of the balance sheet date, share capital consisted of 58,849,820 ordinary shares, each with an arithmetical share of share capital of € 2.60 per share (previous year: 58,759,820).

These ordinary shares of STADA Arzneimittel AG are exclusively registered shares with restricted transferability, which, under the articles of incorporation, can only be entered into the share registry with the approval of the Company and which, in accordance with the articles of incorporation, grant one vote each in the Annual General Meeting. Shareholders are only those who are regis-

tered as such in the share registry and only such persons are authorized to participate in the Annual General Meeting and to exercise voting rights. No shareholder and no shareholder group shall have any special rights.

The increase in the number of shares in 2009 was due to the exercise for options from STADA warrants 2000/2015 in the fourth quarter of 2009. The number of shares as of December 31, 2009 thereby increased by 90,000 to 58,849,820 and the share capital of STADA Arzneimittel AG increased by € 234,000 to € 153,009,532.00. Thus, as of December 31, 2009, 177,020 warrants 2000/2015 for the subscription of 3,540,400 STADA registered shares were still outstanding. In the reporting year, 4,500 options were thereby exercised in total.

Another 10 warrants were exercised prior to the preparation of the financial statements by the Executive Board on March 12, 2010. The number of shares has thereby risen by 200 to 58,850,020 and the share capital increased by € 520 to € 153,010,052. Therefore, as of March 12, 2010, 177,010 warrants 2000/2015 for the subscription of 3,540,200 STADA registered shares are still outstanding.

The Annual General Meeting of June 10, 2009 authorized STADA to purchase and use own shares until December 10, 2010. This authorization seamlessly replaced the authorization of the Annual General Meeting from June 10, 2008, pursuant to which STADA had been able to purchase own shares until December 10, 2009. STADA has made use of neither the previous purchase authorization nor of the current one, and only used the authorization to sell to employees within the scope of the employee stock option program.

As of the reporting date, the Company held 103,555 treasury shares, each with an arithmetical par value of € 2.60, which is equivalent to 0.2% of the share capital. As of the previous year's balance sheet date, STADA held 109,659 treasury shares. In financial year 2009, STADA sold 6,104 treasury shares at an average price of € 14.73.

Thus, as of the balance sheet date on December 31, 2009, after deducting treasury shares, a total of 58,746,265 ordinary STADA shares with restricted transferability were entitled to vote (balance sheet date in the previous year: 58,650,161 voting ordinary shares).

The Executive Board has been authorized by the Annual General Meeting on June 10, 2008 to raise new authorized capital.

The resolution authorizes the Executive Board, with the approval of the Supervisory Board, to increase the share capital of the Company on one or more occasions by June 10, 2013, by up to € 76,346,010.00 through the issue of up to 29,363,850 registered shares with restricted transferability against contributions in cash and/or in kind. Shareholders are to be granted subscription rights. The Executive Board shall nevertheless be authorized, with the approval of the Supervisory Board, to exclude the statutory subscription rights of the shareholders in the following cases: (a) for fractional shares, (b) in the case of capital increases against cash contributions of up to an amount that in total does not exceed 10% of the share capital, if the issue price of the new shares is not significantly lower than the stock exchange price of already listed shares carrying the same rights pursuant to Section 203 (1) Sentence 1 and Sentence 2 and 186 (3) Sentence 4 of the German Stock Corporation Act. Shares are to be credited against the above mentioned 10% limit which are acquired due to an authorization of the Annual General Meeting and are sold during the term of this authorization pursuant to Section 71 (1) no. 8 Sentence 5 in connection with Section 186 (3) Sentence 4 of the German Stock Corporation Act. Furthermore, shares are to be credited against this limit, which are issued for the purpose of servicing subscription rights under bonds with warrants and/or convertible bonds, to the extent the bonds with warrants and/or convertible bonds are issued under Section 186 (3) Sentence 4 of the German Stock Corporation Act applying mutatis mutandis under the exclusion of subscription rights; as well as (c) in the case of capital increases against contribution in kind of up to an amount

which in total does not exceed 20% of the share capital, in order to be able to offer the Company's new shares to third parties within the context of mergers between undertakings or the acquisition of business undertakings, divisions of business undertakings or participations in business undertakings and of other assets, including loans and other liabilities, (d) to the extent necessary and up to an amount which in total does not exceed 20% of the share capital to grant holders of option rights and/or creditors of convertible bonds that will be issued by the Company or its subordinated Group companies, a subscription right to new shares to the extent to which they would be entitled after the exercising of their option and/or conversion rights or after fulfillment of any conversion obligations. Moreover, the Executive Board is authorized, with the approval of the Supervisory Board, to fix further details for implementing capital increases from the authorized capital. The Executive Board has not made use of this authorization to date.

In addition, the Annual General Meeting on June 10, 2008 authorized the Executive Board, on or before June 9, 2013, on one or more occasions a) to issue bonds with warrants and/or convertible bonds in an aggregate nominal amount of up to € 1,000,000,000.00 and with a maturity of up to 20 years through the Company or through companies in which the Company directly or indirectly has a majority holding ("subordinated Group companies"), and b) to assume the guarantee for such bonds with warrants and/or convertible bonds issued by subordinated Group companies of the Company and to grant the holders or creditors of bonds with warrants and/or convertible bonds, option and/or conversion rights up to a total of 25,701,330 registered shares with restricted transferability of the Company, representing a proportionate amount of the share capital of up to € 66,823,458.00 in accordance with the more detailed provisions of the respective terms of the bonds with warrants and/or convertible bonds ("Terms"). Other than in euro, the bonds with warrants and/or convertible bonds may also be denominated in the legal currency of a member country of the OECD, however, limited to the relevant equivalent value in euro. The bonds with warrants and/or convertible bonds may also be issued against contributions in kind, to the extent that their value corresponds to the issue price and this is not significantly lower than the theoretical market value of the bonds with warrants and/or convertible bonds as determined in accordance with accepted methods of financial mathematics. The bonds with warrants and/or convertible bonds shall be divided into equal partial debentures in bearer form. If bonds with warrants are being issued, one or more warrants shall be added to each partial debenture, which authorize the holder to purchase registered shares with restricted transferability of the Company in accordance with the Terms. The Terms for bonds with warrants issued by the Company which are denominated in euro may provide that the option price can also be fulfilled by the transfer of bonds with warrants and, where necessary, by an additional payment in cash. Insofar as fractions of shares arise the provision can be made that these fractions, according to the Terms, can be added to the subscription of whole shares, if necessary, against additional payment. If convertible bonds are being issued, the holders obtain the irrevocable right to change their convertible bonds into registered shares with restricted transferability of the Company in accordance with the Terms determined by the Executive Board. The conversion ratio results from the division of the nominal amount or from the issue amount which is lower than the nominal amount or from the nominal amount marked up for interest accruing of a partial debenture by the conversion price for one share of the Company and may be rounded up or down to a whole number; moreover, an additional cash payment can be determined, as well as the combination of or an offset for non-convertible fractions. b) Subscription rights, exclusion of subscription rights: Shareholders shall in principle have a right to subscribe to the bonds with warrants and/or convertible bonds; the bonds with warrants and/or convertible bonds may also be subscribed for by a bank or a syndicate of banks subject to the condition that they in turn be offered for subscription to the shareholders. The Executive Board, however, is authorized, with the approval of the Supervisory Board, to exclude the subscription right to bonds with warrants and/or convertible bonds of the existing shareholders, in order to exclude fractional shares resulting from a given subscription right of existing shareholders to the bonds with warrants and/or convertible bonds; if such bonds are issued against payment in cash and the issue price is not significantly lower than the theoretical market value of the bonds with warrants and/or convertible bonds, as determined in accordance with accepted methods of financial mathematics; however this only applies insofar as the shares to be issued to service the option and/or conversion rights established on this basis in total do not ex-

ceed 10% of the share capital either at the time of this authorization becoming effective or at the time of the authorization being exercised. The proportionate amount of the share capital, which relates to shares issued between June 10, 2008 and the expiry of this authorization from authorized capital by way of a capital increase against contributions in cash and under the exclusion of the subscription right pursuant to Section 186, (3), Sentence 4 of the German Stock Corporation Act, is to be added to this amount. Also to be added to this amount is the proportionate amount of the share capital that relates to the sale of treasury shares insofar as this sale occurs during the term of this authorization under the exclusion of the subscription right pursuant to Section 186 (3), Sentence 4 of the German Stock Corporation Act; if such bonds with warrants and/or convertible bonds are issued against contributions in kind and the exclusion of subscription rights is in the interest of the Company; however, this only applies insofar as the shares to be issued to service the option and/or conversion rights created in this process in total do not exceed 20% of the share capital either at the time of this authorization becoming effective or at the time of the authorization being exercised; to the extent necessary and up to an amount which in total does not exceed 20% of the share capital to grant holders of option rights and/or creditors of convertible bonds that will be issued by the Company or its subordinated Group companies, a subscription right to the extent to which they would be entitled after the exercising their rights or after fulfillment of any conversion obligations. c) Option and/or conversion price, protection against dilution: The options and/or conversion price are calculated based on the following principle: aa) The option and/or conversion price for a registered share of the Company with restricted transferability either equals 120% of the volume weighted average stock exchange price of the Company's shares in the XETRA trading on the Frankfurt Stock Exchange (or a comparable successor system) during the period of time of the bookbuilding procedure which shall be carried out by the banks attending the issue of shares, or the day or days on which the bookbuilding procedure is carried out, or – if a subscription right is being granted – 120% of the closing price of the shares of the Company in the XETRA trading on the Frankfurt Stock Exchange (or a comparable successor system) on the day before the announcement of the final conditions pursuant to Section 186 (2), Sentence 2 of the German Stock Corporation Act. The respectively relevant volume weighted stock market price or, as the case may be, closing price is hereinafter referred to as "Reference Price". (bb) In case of the issuance of bonds with warrants and/or convertible bonds, determining an option and/or conversion obligation, the option and/or conversion price shall correspond to the following amount: 100% of the Reference Price, should the arithmetic mean of the closing prices of the shares of the Company in XETRA trading on the Frankfurt Stock Exchange (or a comparable successor system) the 20 trading days ending with the third trading day before the day of the option exercise and/or conversion be less than or equal the Reference Price; the arithmetic mean of the closing prices of the shares of the Company shares in XETRA trading on the Frankfurt Stock Exchange (or a comparable successor system) the 20 trading days ending with the third trading day before the day of the option exercise and/or conversion, should this value be greater than the Reference Price and smaller than 115% of the Reference Price; 115% of the Reference Price, should the arithmetic mean of the closing prices of the shares of the Company in XETRA trading on the Frankfurt Stock Exchange (or a comparable successor system) the 20 trading days ending with the third trading day before the day of the option exercise and/or conversion be greater than or equal 115% of the Reference Price; irrespective of the above provisions, 115% of the Reference Price, should the holder of the bonds with warrants and/or convertible bonds before the entry of option and/or conversion obligation exercise an existing option and/or conversion right. cc) Without prejudice to Section 9 (1) of the German Stock Corporation Act, the option and/or conversion price may be reduced pursuant to a dilution protection clause according to the exact terms, if the Company increases its share capital before the option and/or conversion period, while honoring the subscription right to existing shareholders, or issues or guarantees further bonds with warrants and/or convertible bonds, and the holders of existing option and/or conversion rights are not granted a subscription right in this regard, as they would be entitled to following the exercise of the option and/or conversion right, respectively. Reduction of the option and/or conversion price can also be effected by a cash payment when exercising the option and/or conversion right. In addition, the Terms may provide for adjustment of the option and/or conversion obligation, in the case of a capital decrease or other extraordinary measures or events (such as unusually high dividends, third parties obtaining control). Should control be obtained by third parties,

an adjustment of the option and/or conversion price, as is customary in the particular market, may be provided. dd) In any event, the proportionate amount of the share capital attributable to the shares to be subscribed for each bond with warrants and/or convertible bond must not exceed the nominal value of the bond with warrants and/or convertible bond. (d) Authorization to determine further details:The Terms may provide the Company's right in the case of option exercise and/or conversion, not to grant new shares, but to pay a cash amount equivalent to the amount of shares to be delivered alternatively, and which corresponds to the volume weighted average closing price of the Company's shares in the XETRA trading at the Frankfurt Stock Exchange (or a comparable successor system) during the ten trading days before or after the option exercise and/or conversion has been declared, as the case may be. The Terms may also provide that the bonds with warrants and/or convertible bonds may be converted, at the Company's discretion, instead of into new shares from Conditional Capital into already existing Company shares or the shares of another listed company, and/or that the option right may be executed by the delivery of such shares. The Terms may also provide an option and/or conversion obligation, as the case may be, at the end of the maturity (or at another point in time). In this case the specifications of this authorization shall apply accordingly. In addition, in the case of final maturity of the bonds with warrants and/or convertible bonds (this also includes maturity due to termination), the Terms may also provide the Company's right to grant creditors, in whole or in part, Company shares or shares of another listed company instead of payment of the amount of cash due. In addition, the Executive Board is authorized, in accordance with the above specifications, to determine the further details of the issue and features of the bonds with warrants and/or convertible bonds and their terms or to do so in agreement with the corporate bodies of the subordinated Group company issuing the bonds with warrants and/or convertible bonds, in particular, interest rate, issue price, term and denomination, subscription/conversion ratio, creation of a conversion obligation, determination of an additional cash payment, settlement or combination of fractional shares, cash payment instead of delivery of shares, delivery of existing shares rather than issuance of new shares, option and/or conversion price and option and/or conversion period. In addition, the share capital is conditionally increased by up to € 66,823,458.00 by issuing up to 25,701,330 registered shares with restricted transferability and carrying a dividend right as of the beginning of the financial year in which they are issued. The conditional capital increase serves the purpose of granting shares to the holders or creditors of bonds with warrants and/or convertible bonds issued by the Company or a subordinated Group company on the basis of the authorization of the Annual General Meeting of June 10, 2008. The issue of new shares will be carried out subject to the respective option and/or conversion price to be determined in accordance with the aforementioned authorization. The conditional capital increase will be effected only insofar as the option and/or conversion rights relating to the bonds with warrants and/or convertible bonds are exercised or any option and/or conversion obligations under these bonds with warrants and/or convertible bonds are fulfilled and insofar as no cash settlement is granted and no treasury shares are used for servicing. The Executive Board is authorized to determine the further details of implementation of the conditional capital increase (Conditional Capital 2008/II). The Executive Board has not made use of this authorization to date. Beyond that, the hitherto existing Conditional Capital is renamed and restated as follows: the share capital of the Company is conditionally increased by up to € 9,522,552.00 by issuing up to 3,662,520 restricted registered common shares (Conditional Capital 2004/I). The conditional capital increase will be effected only insofar as the holders of option rights exercise their option rights. The new shares will share the profits from the beginning of that financial year when the option rights were exercised, thus creating the new shares.

In a declaration published on the Company's website on June 10, 2008, the Executive Board made the following statement with regard to the possible exercising of this authorization:

The Executive Board has resolved to utilize the authorizations submitted for approval by the Annual General Meeting on June 10, 2008:

- to increase the share capital from the authorized share capital (agenda item 7)
- to issue bonds with warrants and/or convertible bonds (agenda item 8)

in each case with regard to the exclusion of subscription rights only subject to the following restrictions:
The utilization by the Executive Board of the above-mentioned authorizations (agenda items 7 and 8) by way of excluding subscription rights of the shareholders will be limited to an aggregate amount of 20% of the outstanding share capital at the time of the effective date of one of above-mentioned authorizations or – if this amount is lower – at the time of the first utilization of one of the above-mentioned authorizations. The capital increases by way of excluding the subscription rights of the shareholder on the basis of the aforementioned authorizations (agenda items 7 and 8) are limited to a maximum amount of € 30,538,404.00, corresponding to 11,745,540 registered shares with restricted transferability.

3.18. Reserves and unappropriated retained earnings

Changes in the capital reserve are shown in the statement of changes in shareholders' equity and include the capital reserve of STADA Arzneimittel AG in accordance with the German Commercial Code. Beyond that, reserves include retained earnings, distributable profit of all companies included in the consolidated financial statements as well as profit and loss directly recognized in equity. Currency translation differences include foreign currency gains and losses from the currency translation of foreign subsidiaries with no effect on income. The reserve Available for Sale and the reserve cash flow hedges include the results from the fair value assessment of financial instruments categorized as available for sale as well as the assessment results from hedging transactions from the effective portion of the hedge to hedge cash flows, allowing for deferred taxes.

3.19. Shares relating to non-controlling shareholders

Shares of non-controlling shareholders include minority interests within the Hemofarm Group as well as in STADA Asiatic Company.

In the context of the share increase in the STADA controlled Hemofarm Sabac d.o.o. and MAKIZ group, this resulted in reductions in the share of non-controlling shareholders in the amount of € 4.5 million.

3.20. Non-current provisions

Non-current provisions in € 000s	Dec. 31, 2009	Previous year
Pension provisions[1)]	23,490	22,872

1) In addition to the above items, a partial amount of the pension provisions in the amount of € 692 thousand (previous year: € 438 thousand) was recorded in current provisions (see 3.25.).

For German Group companies, pension provisions developed as follows:

Change in projected benefit obligations for pension provisions for German Group companies in € 000s	2009	Previous year
As of January 1, 2009	18,750	23,960
Service cost	895	1,023
Interest cost	1,574	1,318
Actuarial gain (-) / loss (+)	-197	-3,983
Benefits paid	-559	-494
Past service cost/adjustments	-862	-3,074
As of December 31, 2009	19,601	18,750

The table below shows the actuarial assumptions upon which these pension plans are based:

Assumptions for pension plans for German Group companies	Dec. 31, 2009	Previous year
Discount Rate	5.25 %	6.5%
Salary trend	2.0 %	2.5%
Benefits trend	1.25 %	1.75%

Components of periodic pension cost for German Group companies are as follows:

Components of periodic pension cost for German Group companies in € 000s	2009	Previous year
Service cost	895	1,023
Interest cost	1,574	1,318
Net pension cost	2,469	2,341

For international Group companies, pension provisions developed as follows:

Change in projected benefit obligations for pension provisions for international Group companies in € 000s	2009	Previous year
As of January 1, 2009	4,560	8,072
Currency adjustments	-288	-778
Service cost	119	741
Interest cost	498	563
Actuarial gain (-) / loss (+)	-	-939
Benefits paid	-144	-1,170
Reclassification from / to liabilities	439	-1,404
Other	-603	-525
As of December 31, 2009	4,581	4,560

The table below shows the actuarial assumptions upon which these pension plans are based:

Average assumptions for pension plans for international Group companies	Dec. 31, 2009	Previous year
Discount Rate	9.3%	8.3%
Salary trend	5.9%	4.8%
Benefits trend	5.9%	8.0%

Components of periodic pension cost for international Group companies are as follows:

Components of periodic pension cost for international Group companies in € 000s	2009	Previous year
Service cost	119	741
Interest cost	498	563
Net pension cost	617	1,304

3.21. Non-current financial liabilities

	Promissory notes		Amounts due to banks		Total	
Non-current liabilities in € 000s	Dec. 31, 2009	Previous year	Dec. 31, 2009	Previous year	Dec. 31, 2009	Previous year
Term remaining over 1 year up to 3 years	230,500	345,500	16,790	81,439	247,290	426,939
Term remaining over 3 years up to 5 years	244,000	254,000	22,458	29,644	266,458	283,644
Term remaining over 5 years	50,500	50,500	1,078	55	51,578	50,555
Total	**525,000**	**650,000**	**40,326**	**111,138**	**565,326**	**761,138**

Non-current financial liabilities are hedged in the amount of € 41.6 million by means of notes.

3.22. Non-current trade accounts payable

Non-current trade accounts payable in € 000s	Dec. 31, 2009	Previous year
Trade accounts payable to third parties	29	88

3.23. Other non-current liabilities

Other non-current liabilities in € 000s	Dec. 31, 2009	Previous year
Personnel related liabilities	3,117	5,541
Other liabilities	26,915	25,244
Total	**30,032**	**30,785**

Other non-current liabilities includes liabilities from financial leasing as part of a sale and lease-back transaction for software. The current portion of the leasing liabilities is disclosed in current liabilities. In total, the minimum leasing payments as of December 31, 2009 amount to € 13.5 million. The present value of these liabilities, adjusted for the interest portion of € 1.8 million, amounts to € 11.7 million as of December 31, 2009.

Within the scope of the maturity date analysis for the other liabilities, the following contractually agreed remaining terms result:

	Liabilities from financial leasing		Derivate financial liabilities		Total	
Non-current liabilities in € 000s	Dec. 31, 2009	Previous year	Dec. 31, 2009	Previous year	Dec. 31, 2009	Previous year
Remaining terms over 1 to 3 years	4,297	-	2,295	1,309	6,592	1,309
Remaining terms over 3 to 5 years	5,453	-	4,764	2,611	10,217	2,611
Remaining terms over 5 years	-	-	3,533	2,432	3,533	2,432
Total	**9,750**	**-**	**10,592**	**6,352**	**20,342**	**6,352**

3.24. Deferred tax liabilities

Deferred tax liabilities in € 000s	Dec. 31, 2009	Previous year
Deferred tax liabilities	64,662	72,781

Deferred tax liabilities reported by STADA result, among other things, from deferred taxes in the context of purchase price allocations carried out under IFRS 3.

3.25. Current provisions

Current provisions in € 000s	Dec. 31, 2009	Previous year
Current pension provisions	692	438
Provisions set aside for damages	2,350	15,762
Warranties	7,448	4,139
Total	**10,490**	**20,339**

Provisions set aside for damages in financial year 2009 developed as follows:

Provisions set aside for damages in € 000s	Dec. 31, 2009	Previous year
As of January 1, 2009	**15,762**	**2,705**
Added	1.113	14,750
Utilized	10,832	245
Reversed	3,679	1,476
Currency translation differences	-14	28
As of December 31, 2009	**2,350**	**15,762**

An essential component of provisions set aside for damages in the previous year are provisions in the amount of € 14.2 million reported as one-time special effects in connection with a negative patent decision for STADA regarding the marketability of generics with the active pharmaceutical ingredient Olanzapine after being confronted with damage claims by the initial supplier. Of these damages provisions, € 10.7 million was utilized in the reporting year and € 3.5 million was reversed with an effect on income.

The reversal of reported provisions for damages is recorded under other operating income in financial year 2009 and is qualified as special effect by STADA.

Provisions for warranties developed as follows:

Warranties in € 000s	Dec. 31, 2009	Previous year
As of January 1, 2009	4,139	3,746
Added	4,529	1,317
Utilized	1,220	924
As of December 31, 2009	7,448	4,139

Provisions for personnel measures in the German generics business (in accordance with IAS 19) in € 000s	Dec. 31, 2009	Previous year
As of January 1, 2009	-	22,179
Added	-	-
Utilized	-	21,733
Reversed	-	446
As of December 31, 2009	-	-

3.26. Current financial liabilities

Current financial liabilities in € 000s	Dec. 31, 2009	Previous year
Promissory notes	150,000	-
Amounts due to banks	340,951	365,099
Total	490,951	365,099

3.27. Current trade accounts payable

Current trade accounts payable in € 000s	Dec. 31, 2009	Previous year
Trade accounts payable to third parties	189,947	160,145
Trade accounts payable to non-consolidated Group companies	2,635	1,912
Advances received on orders from third parties	3,005	591
Liabilities from outstanding accounts	70,990	65,957
Total	266,577	228,605

3.28. Current income tax liabilities

Current income tax liabilities in € 000s	Dec. 31, 2009	Previous year
Current income tax liabilities	21,823	18,410

3.29. Other current liabilities

Other current liabilities in € 000s	Dec. 31, 2009	Previous year
Tax liabilities	8,056	10,845
Personnel related liabilities	33,584	26,199
Other liabilities	67,032	72,578
Total	**108,672**	**109,622**

3.30. Contingent liabilities and other financial obligations (off balance sheet)

Contingent liabilities and other financial obligations (off balance sheet) in € 000s	Dec. 31, 2009	Previous year
Rental agreements and leases	46,897	47,477
Other obligations	51,120	61,283
Total	**98,017**	**108,760**

Other financial obligations include a guarantee amounting to € 25.0 million towards Hospira Inc., Lake Forest, Illinois, USA, in connection with a supply agreement between Hospira and the shares in the associated company BIOCEUTICALS Arzneimittel AG which are recognized under the equity method. Beyond that, a guarantee towards Siegfried Ltd., Zofingen, Switzerland, in the amount of € 6.1 million in connection with an agreement between Siegfried and BIOCEUTICALS Arzneimittel AG is applicable.

STADA, as guarantor, has recognized these guarantees as financial guarantees in accordance with IAS 39 with their fair value in an amount of € 0.3 million.

4. Notes to the Consolidated Cash Flow Statement

4.1. Cash flow (gross)

Cash flow (gross) in € 000s	2009	Previous year
Net income (including net income relating to non-controlling shareholders)	100,748	77,064
Cash flow (gross) due to depreciation and amortization (+) / write-ups (-) of non-current assets	87,640	80,190
Cash flow (gross) due to increase (+) / decrease (-) in non-current provisions	-238	-8,761
Cash flow (gross) due to gains (-) / losses (+) on disposals of non-current assets	-3,615	-614
Result from accounting of shares in associated companies under the equity method	287	2,473
Gains (-) / losses (+) due to exchange rates	4,063	12,962
Other non-cash expenses (+) / gains (-)	2,311	5,412
Total	191,196	168,726

4.2. Cash flow from operating activities

Cash flow from operating activities in € 000s	2009	Previous year
Cash flow (gross)	191,196	168,726
Cash flow due to changes in inventories	16,784	-5,045
Cash flow due to changes in trade accounts receivable	27,978	17,879
Cash flow due to changes in other assets	11,179	-2,109
Cash flow due to changes in current securities	-235	2,265
Cash flow due to changes in deferred tax assets and income tax receivables	-25,027	-5,893
Cash flow due to changes in assets in connection with the accounting of shares in associated companies under the equity method	2,553	-9,647
Cash flow due to changes in current provisions	-9,848	-8,690
Cash flow due to changes in trade payables	30,991	-13,422
Cash flow due to changes in other liabilities	-9,858	-3,833
Cash flow due to deferred tax liabilities and income tax liabilities	14,783	-10,931
Total	250,496	129,300

Cash flow from operating activities shows the net cash flow from revenue-producing activities and other activities that are not investing or financing activities.

Cash flow from operating activities adjusted for significant influences outside of the reporting period (utilization of provisions set aside for damages regarding the negative patent decision for STADA in Germany in connection with the active pharmaceutical ingredient Olanzapine in the amount of € 10.7 million) amounted to € 261.2 million in the reporting year (previous year: € 151.0 million).

4.3. Cash flow from investing activities

Cash flow from investing activities is as follows:

Cash flow from investing activities in € 000s	2009	Previous year
Payments for the acquisition of consolidated companies (after deducting acquired cash and cash equivalents)	-9,019	-42,210
Payments for significant purchases of intangible assets for current expansion of the product portfolio (as a rule in the reporting year)	-27,417	-9,750
Payments for purchases of other intangible assets	-46,379	-41,707
Payments for purchases of property, plant and equipment	-50,829	-72,205
Payments for purchases of financial assets	-125	-4,777
Proceeds from the disposals of consolidated companies (after deducting possible disposed cash and cash equivalents)	16,787	10,917
Proceeds from significant sales of intangible assets from the disposal of launched products	5,000	-
Proceeds from the disposals of other intangible assets	1,275	3,603
Proceeds from the disposals of items of property, plant and equipment	4,136	10,315
Proceeds from the disposals of financial assets	88	2,507
Total	-106,483	-143,307

Cash flow from investing activities reflects the cash outflows for investments reduced by the inflows from disposals. This amounted to € -106.5 million in the reporting year (previous year: € -143.3 million).

In addition, investments in intangible assets for the short-term expansion of the product portfolio were made in the amount of € 27.4 million in 2009 (previous year: € 9.8 million). Acquisition-related sales growth is also principally associated with such investments in the reporting year.

Thus, € 36.4 million were used in total for acquisitions in 2009 (previous year: € 52.0 million) (payments for capital expenditure for the purchase of consolidated companies after deducting possible acquired cash and cash equivalents plus payments for material purchases of intangible assets for the short-term expansion of the product portfolio).

In the reporting year proceeds from the disposals of consolidated companies related to the payment receipt of the final purchase price installment from the sale of STADA Inc. in financial year 2006. Disclosures from the previous year also related, among other things, to a payment receipt from the sale of STADA Inc.

In the calculation on cash flow from investing activities, the influence of changes in the balance sheet by companies consolidated for the first time is disclosed in a separate line. There, exclusively actual payments made for the acquisition of consolidated companies (acquisition price after deducting possible acquired cash and cash equivalents) in the reporting year are shown. In the previous year, disclosure of payments made for the acquisition of consolidated companies resulted from increased stakes in Hemofarm Sabac d.o.o., Nizhpharm und Cajavec; additional payments were made for the MAKIZ group. In the reporting year 2009 payments were also made for increased stakes in Hemofarm Sabac d.o.o. as well as the MAKIZ group.

4.4. Cash flow from financing activities

Cash flow from financing activities in € 000s	2009	Previous year
Payments to shareholders (dividend distribution, treasury shares)	-30,481	-41,612
Payments for the redemption of bonds and finance facilities	-208,167	-246,201
Proceeds from additions to shareholders' equity/share capital of STADA Arzneimittel AG	234	100
Proceeds from additions to shareholders' equity/capital reserve of STADA Arzneimittel AG	1,247	536
Proceeds from the issue of bonds and finance facilities	141,407	330,098
Total	**-95,760**	**42,921**

Cash flow from financing activities encompasses changes in financial liabilities for dividend payments and treasury shares as well as additions to shareholders' equity.

Proceeds from additions to shareholders' equity/capital reserve of STADA Arzneimittel AG in the previous year are the result of capital increases through the exercise of warrants 2000/2015 (see 3.17.).

4.5. Net cash flow for the period

Net cash flow for the period in € 000s	2009	Previous year
Cash flow from operating activities	250,496	129,300
Cash flow from investing activities	-106,483	-143,307
Cash flow from financing activities	-95,760	42,921
Changes in cash and cash equivalents (sub-total)	**48,253**	**28,914**
Changes in cash and cash equivalents due to Group composition and exchange rates	-1,796	86
Total	**46,457**	**29,000**

Net cash flow for the current period, i.e. of the reporting year 2009, is the balance of cash inflows and outflows from operating activities, cash flows from financing activities and investing activities, as well as from changes in cash and cash equivalents due to Group composition and exchange rates. Cash flow for the period amounted to € 46.5 million in 2009 (previous year: € 29.0 million) and resulted in cash and cash equivalents of € 156.9 million at December 31, 2009 (previous year: € 110.5 million).

Cash and cash equivalents include cash and call deposits with a maximum remaining term of 90 days as well as short-term and highly liquid financial investments that can be converted to cash immediately and are subject only to minor price fluctuation risks.

4.6. Free cash flow for the period

Free cash flow for the period in € 000s	2009	Previous year
Cash flow from operating activities	250,496	129,300
Cash flow from investing activities	-106,483	-143,307
Total	**144,013**	**-14,007**

Free cash flow includes cash flow from operating activities and cash flow from investing activities and is therefore also significantly shaped by acquisitions and disposals.

Free cash flow adjusted for significant influences from other accounting periods as well as effects from acquisitions and disposals is as follows:

Adjusted free cash flow for the period in € 000s	2009	Previous year
Cash flow from operating activities (see 4.2.)	250,496	129,300
+ Influence from other accounting periods due to the utilization of provisions from 2008 as a consequence of the negative patent decision in Germany in connection with the active pharmaceutical ingredient Olanzapine	10,700	-
+ Influence from other accounting periods due to the utilization of provisions from 2007 for the restructuring of the German generics business	-	21,733
Cash flow from investing activities (see 4.3.)	-106,483	-143,307
+ Payments for the acquisition of consolidated companies (after deducting acquired cash and cash equivalents)	9,019	42,210
+ Payments for significant purchases of intangible assets for current expansion of the product portfolio (as a rule in the reporting year)	27,417	9,750
⁄. Proceeds from the disposals of consolidated companies (after deducting possible disposed cash and cash equivalents)	16,787	-10,917
⁄. Payments from the sale of intangible assets from material disposals	5,000	-
Adjusted free cash flow for the period	**169,362**	**48,769**

5. Segment Reporting

Since the beginning of financial year 2009, STADA has applied the regulations of IFRS 8. This standard replaces the provisions of IAS 14 applied until the end of 2008. Under IFRS 8, the identification of reportable operating segments is based on the "Management Approach", which has already been applied by STADA in the past in accordance with IAS 14. Moreover, external segment reporting is to be carried out based on the management and reporting figures used internally. With the application of IFRS 8, in effect since 2009, STADA continues to report a segment result that corresponds to the operating profit of the income statement in accordance with IFRS.

The measurement approaches for segment reporting are in accordance with the financial reporting methods used in the IFRS consolidated financial statements. Services between the segments are offset based on market prices. Reporting of the segment liabilities is waived, as this is without relevance for Group monitoring and in Group reporting.

5.1. Information by operating segment

Information by operating segments in € 000s		2009/Dec. 31, 2009	2008/Dec. 31, 2008
Generics	External sales	1,115,587	1,154,524
	Sales with other segments	1,967	110
	Total sales	1,117,554	1,154,634
	Operating profit	156,286	136,744
	Straight-line depreciation	41,721	43,050
	Write-ups	0	0
	Assets (Dec. 31)	900,560	916,201
	Additions to intangible assets and property, plant and equipment	73,013	82,946
Branded Products	External sales	392,612	368,920
	Sales with other segments	3,048	3,394
	Total sales	395,660	372,314
	Operating profit	74,855	53,761
	Straight-line depreciation	24,013	24,336
	Write-ups	0	0
	Assets (Dec. 31)	197,092	188,851
	Additions to intangible assets and property, plant and equipment	30,400	18,438
Commercial business	External sales	51,553	58,364
	Sales with other segments	235	0
	Total sales	51,788	58,364
	Operating profit	2,680	5,932
	Straight-line depreciation	1,003	1,072
	Write-ups	0	0
	Assets (Dec. 31)	3,073	3,146
	Additions to intangible assets and property, plant and equipment	97	148

Information by operating segments in € million		2009/Dec. 31, 2009	2008/Dec. 31, 2008
Group holdings/other	External sales	9,027	64,356
	Sales with other segments	22	1,350
	Total sales	9,049	65,706
	Operating profit	-41,904	-20,000
	Straight-line depreciation	8,395	4,613
	Write-ups	2,701	2,176
	Assets (Dec. 31)	227,961	220,086
	Additions to intangible assets and property, plant and equipment	21,115	30,954
Reconciliation consolidated financial statements	External sales	0	0
	Sales with other segments	-5,272	-4,854
	Total sales	-5,272	-4,854
	Operating profit	0	2
	Straight-line depreciation	0	0
	Write-ups	0	0
	Assets (Dec. 31)	0	0
	Additions to intangible assets and property, plant and equipment	0	0
Group	External sales	1,568,779	1,646,154
	Sales with other segments	0	0
	Total sales	1,568,779	1,646,154
	Operating profit	191,917	176,439
	Straight-line depreciation	75,132	73,071
	Write-ups	2,701	2,176
	Assets (Dec. 31)	1,328,686	1,328,284
	Additions to intangible assets and property, plant and equipment	124,625	132,486

Segmentation within the STADA Group is based on sales differentiation. Thus, the allocation to the individual segments is determined to a large extent by the sales positioning. If this positioning changes for parts of the product portfolio, associated sales are reallocated.

Accordingly, STADA's operating segments are divided into two core segments, Generics and Branded Products, as well as into the two non-core segments Commercial Business and Group holdings/other.

Pursuant to STADA's segment definition, which has been used since 2006, generics are products for the health care market – usually with a drug character – which contain one or several active ingredients whose commercial property rights have expired or will expire shortly and whose sales positioning complies with one of the two following criteria:

- The product is offered by emphasizing its low price, usually in contrast to the product of another supplier which contains the identical active pharmaceutical ingredient

or

- the product is an integral part of a marketing concept targeting more than one product and indication for primarily prescription products with active ingredients whose commercial property rights have usually expired.

According to STADA's segment definition, which has been used since 2006, branded products are products for the health care market which contain one or several active ingredients whose commercial property rights have usually expired and whose sales positioning complies with one of the two following criteria:

- The product is sold under a product-specific brand name and with emphasis on specific product characteristics which aim at a unique position of the product in contrast to competitive products and other Group products

or

- the product is part of a marketing concept for primarily non-prescription products which are mainly sold under a product-specific brand name and with emphasis on different specific product characteristics which aim at a unique position of the product in contrast to competitive products and other Group products.

STADA also conducts business and has equity interests in fields outside the core segments. As a rule, the objective of these activities is to supplement and support the Group's activities in the core segments. Activities that mainly involve trading and selling – such as in wholesaling activities – are grouped together in the Commercial Business segment. All other activities, such as the sale of drug approvals and equity interests, are reported under Group holdings/other.

Since the application of IFRS 8, disclosures on segment assets relate to non-current assets (intangible assets, property, plant and equipment as well as financial assets); the figures for the previous year were adjusted accordingly.

5.2. Reconciliation of segment results to net profit

in € 000s	2009	2008
Operating segment profit	191,917	176,439
Investment income	831	1,235
Result from the accounting of shares in associated companies under the equity method	-287	-2,473
Interest result	-50,925	-69,678
Earnings before taxes, Group	**141,536**	**105,523**

5.3. Reconciliation of segment assets to Group assets

in € 000s	Jan. 1 – Dec. 31, 2009	Jan. 1 – Dec. 31, 2008
Segment assets	1,328,686	1,328,284
Other non-current assets	77,888	84,629
Current assets	1,045,155	1,056,561
Total assets, Group	**2,451,729**	**2,469,474**

5.4. Information by region

	Development of sales by the client's registered office		Development of sales by the company's registered office		Non-current assets	
	Jan. 1 – Dec. 31, 2009	Jan. 1 – Dec. 31, 2008	Jan. 1 – Dec. 31, 2009	Jan. 1 – Dec. 31, 2008	Jan. 1 – Dec. 31, 2009	Jan. 1 – Dec. 31, 2008
Germany	531,621	563,980	550,419	593,481	443,629	447,944
Russia	191,884	183,422	195,239	161,529	160,124	145,684
Belgium	125,684	110,662	126,382	111,134	104,881	87,894
Italy	118,576	144,452	139,859	180,301	98,950	114,732
Serbia	117,057	124,223	116,955	124,093	97,682	98,665
Rest of Europe	416,206	463,827	403,649	438,936	347,317	368,397
Rest of world	67,751	55,598	36,276	36,690	56,537	44,157
Total, Group	**1,568,779**	**1,646,164**	**1,568,779**	**1,646,164**	**1,309,120**	**1,307,473**

In the presentation of sales by the client's registered office, net sales to third parties generated by consolidated Group companies with clients in national markets that are significant for STADA are shown. In the presentation of sales by the company's registered office, sales to third parties are shown according to the invoicing company's registered office.

Since the application of IFRS 8, disclosures on assets by region relate to non-current assets (intangible assets, property, plant and equipment; the figures for the previous year were adjusted accordingly. In order to avoid an arbitrary breakdown, the allocation of assets to regions was based on fixed codes linking sales by the clients' registered offices to regions.

5.5. Information on important customers

In accordance with IFRS 8.34, a company must provide notification when sales revenues from business activities from a single external customer amount to at least 10% of the company's total sales revenues. In financial year 2009, this applied to an international pharmaceutical wholesaler group with which STADA generated sales revenues amounting to a total of € 197.3 million (previous year: € 181.6 million) in various international markets in the Generics, Branded Products and Commercial Business segments. This corresponds to a sales share of 12.6% (previous year: 11.0%).

6. Other Disclosures

6.1. Events after the balance sheet date

Significant business events that occurred between the end of the financial year and the preparation of the consolidated financial statements by the Executive Board on March 12, 2010 are disclosed in the supplementary report.

6.2. Headcount

Average number of employees in the STADA Group	2009	2008
Sales/Marketing	2,482	2,663
Production/Procurement	3,849	3,813
Product development	491	445
Administration	1,242	1,397
Total	8,064	8,318

On the balance sheet date, the STADA Group's average number of employees totaled 7,981 in 2009 (previous year: 8,299). Joint ventures that were proportionately consolidated employed an average number of 644 employees in 2009 (previous year: 602).

6.3. One-time special effects and adjusted key figures

STADA's financial performance indicators have been influenced by a number of one-time special effects and/or non-operational effects both in the reporting period and in the same periods of the previous year.

The deduction of such effects which have an impact on the presentation of STADA's earnings situation and the derived key figures aims at improving the comparability of key figures with previous periods. To achieve this, STADA uses adjusted key figures, which, as so called pro forma figures, are not governed by the accounting requirements in accordance with IFRS.

As other companies may not calculate the pro forma figures presented by STADA in the same way, STADA's pro forma figures are only comparable with similarly designated disclosures by other companies to a limited extent. Adjusted key figures should not be viewed in isolation as an alternative to STADA's financial performance indicators presented in accordance with IFRS.

6.3.1. Adjusted key figures derived from the income statement

To determine adjusted key figures derived from the income statement, the respective adjusted key figures are determined based on the non-adjusted measures by way of addition (expenses) or subtraction (income) of the individual effects. The adjustments are made regardless of whether the relevant income and expenses are recognized within operating profit, as a separate item below operating profit, in the financial result or as tax expenses. Income and expenses in connection with one-time special effects as well as effects from currency influences and interest rate hedge transactions directly relating to adjustment matters are adjusted.

The following chart shows the reconciliation of the individual items in the consolidated income statement to the adjusted figures for financial year 2009:

Adjusted consolidated income statement for the period from Jan. 1 to Dec. 31, 2009 in € 000s	2009 without deduction of effects to be adjusted	2009 effects to be adjusted	2009 after deduction of effects to be adjusted
Sales	1,568,779	1,389[1]	1,570,168
Cost of sales	845,390	-	845,390
Gross profit	**723,389**	**1,389**	**724,778**
Other operating income	48,596	-10,648[2]	37,948
Selling expenses	346,084	-	346,084
General and administrative expenses	124,963	2,243[3]	122,720
Research and development expenses	46,648	-	46,648
Other operating expenses	62,373	26,195[4]	36,178
Operating profit	**191,917**	**19,179**	**211,096**
Investment income	831	-808[5]	23
Result from the accounting of shares in associated companies under the equity method	-287	-	-287
Interest result	-50,925	3,088[6]	-47,837
Financial result	**-50,381**	**2,280**	**-48,101**
EBT (Earnings before taxes)	**141,536**	**21,459**	**162,995**
Taxes on income	40,788	-6,146	46,934
Net income	**100,748**	**15,313**	**116,061**
thereof			
• net income distributable to shareholders of STADA Arzneimittel AG	100,437	15,313	115,750
• net income relating to non-controlling shareholders	311		311
Earnings per share in €	1.71		1.97
Earnings per share in € (diluted)	1.70		1.96

1) Adjustments of provisions with a one-time character or relating to other accounting periods for payments to health insurance organizations due to discount agreements concluded.
2) Reversal of provisions in connection with the negative patent decision relating to the active pharmaceutical ingredient Olanzapine; book profit from the sale of the 51% share in Health Vision Enterprise; write-ups on intangible assets; income outside of the reporting period in connection with the transfer of bank charges; successful sale of a commission business of Britannia Pharmaceuticals; reduction of value adjustments on receivables in various CEE countries.
3) External consultancy services on strategic and structural positioning of the Group in connection with the "STADA – build the future" project.
4) Personnel expenses in connection with changes in the in the Group Executive Board and the merger of locations in the United Kingdom; expenses for corrections of receivables in various CEE countries; impairment due to impairment tests on intangible assets, currency translation expenses of a Russian subsidiary.
5) Dividend income of a non-consolidated investment.
6) Expenses from the evaluation of interest rate hedge transactions.

This results in the following derived adjusted financial key figures for the financial year 2009:

Derived adjusted financial key figures for the period from Jan. 1 to Dec. 31, 2009 in € 000s	2009 without deduction of effects to be adjusted	2009 effects to be adjusted	2009 after deduction of effects to be adjusted
EBT (Earnings before taxes)	**141,536**	**21,459**	**162,995**
• plus interest result	50,925	3,088	47,837
EBIT (Earnings before interest and taxes)	**192,461**	**18,371**	**210,832**
• plus balance from depreciation and amortization/write-ups on intangible assets (including goodwill), property, plant and equipment and financial assets	87,640	-10,992	76,648
EBITDA (Earnings before interest, taxes, depreciation and amortization)	**280,101**	**7,379**	**287,480**

The adjustments for the previous year are as follows:

Adjusted consolidated income statement for the period from Jan. 1 to Dec. 31, 2008 in € 000s	2008 without deduction of effects to be adjusted	2008 effects to be adjusted	2008 after deduction of effects to be adjusted
Sales	1,646,164	4,130[1]	1,650,294
Cost of sales	904,012	11,951[2]	892,061
Gross profit	**742,152**	**16,081**	**758,233**
Other operating income	51,223	-2,652[3]	48,571
Selling expenses	369,560	41[4]	369,519
General and administrative expenses	119,870		119,870
Research and development expenses	46,524		46,524
Other operating expenses	80,982	31,469[5]	49,513
Operating profit	**176,439**	**44,939**	**221,378**
Investment income	1,235	-1,107[6]	128
Result from the accounting of shares in associated companies under the equity method	-2,473		-2,473
Interest result	-69,678	15,493[7]	-54,185
Financial result	**-70,916**	**14,386**	**-56,530**
EBT (Earnings before taxes)	**105,523**	**59,325**	**164,848**
Taxes on income	28,459	-19,572	48,031
Net income	**77,064**	**39,753**	**116,817**
thereof			
• net income distributable to shareholders of STADA Arzneimittel AG	76,246	39,753	115,999
• net income relating to non-controlling shareholders	818		818
Earnings per share in €	1.30		1.98
Earnings per share in € (diluted)	1.28		1.95

1) Sales returns in connection with the negative patent decision for the active pharmaceutical ingredient Olanzapine.
2) Inventory write-downs for the active ingredient Olanzapine as well as in connection with the sales realignment.
3) Write-ups on intangible assets as well as income from the reversal of provisions in connection with personnel measures in the German generics business.
4) Expenses in connection with the relocation of logistics functions.
5) Expenses in connection with the relocation of logistics functions, personnel expenses in connection with the reduction of the Executive Board, expenses for corrections of receivables from a Russian wholesaler, currency translation expenses from a Russian subsidiary, impairments as well as expenses in connection with a negative patent decision for the active pharmaceutical ingredient Olanzapine.
6) Dividend income of a non-consolidated investment.
7) Expenses from the evaluation of interest rate hedge transactions.

This results in the following derived adjusted financial key figures for 2008:

Derived adjusted financial key figures for the period from Jan. 1 to Dec. 31, 2008 in € 000s	2008 without deduction of effects to be adjusted	2008 effects to be adjusted	2008 after deduction of effects to be adjusted
EBT (Earnings before taxes)	105,523	59,325	164,848
• plus interest result	69,678	15,493	54,185
EBIT (Earnings before interest and taxes)	175,201	43,832	219,033
• plus balance from depreciation and amortization/write-ups on intangible assets (including goodwill), property, plant and equipment and financial assets	80,190	-4,914[1)]	75,276
EBITDA (Earnings before interest, taxes, depreciation and amortization)	255,391	38,918	294,309

6.4. Disclosure according to Section 26 (1) of the German Securities Trading Act (WpHG)

6.4.1. Financial year 2009

In accordance with Section 21 (1) of the German Securities Trading Act, STADA, in 2009, published subsequent announcements with the following wording:

Publication of March 12, 2009[2)]:
On 12 March, 2009 Deutsche Bank AG London, London, Great Britain, notified STADA Arzneimittel AG, Bad Vilbel, Germany, ISIN DE 0007251803, pursuant to section 21 (1) WpHG ("German Securities Trading Act") of the following:

Pursuant to section 21 (1), 24 WpHG ("German Securities Trading Act") in conjunction with section 32 (2) InvG ("German Investment Act"), Deutsche Bank London, London, Great Britain, notifed that the percentage of voting rights of its subsidiary DWS Investment GmbH, Frankfurt, Germany, in STADA Arzneimittel AG, Bad Vilbel, Germany, crossed below the threshold of 3 % on 09 March 2009 and amounts to 2.44 % (1,432,500 voting rights) as per this date.

Publication of August 11, 2009[2)]:
On August 11, 2009, SKAGEN AS, Stavanger, Norway has informed us according to Article 21, Section 1 of the WpHG that via shares its Voting Rights on STADA Arzneimittel AG, Bad Vilbel, Germany, ISIN: DE0007251803, WKN: 725180, have exceeded the 3% limit of the Voting Rights on August 04, 2009 and on that day amount to 3.01% (this corresponds to 1769272 Voting Rights).

According to Article 22, Section 1, Sentence 1, No. 6 of the WpHG, 3.01% of the Voting Rights (this corresponds to 1769272 Voting Rights) are to be attributed to the company.

6.4.2. Current financial year 2010

By the time of the preparation of the annual financial statements by the Executive Board on March 12, 2010, no announcements have been received on exceeding or falling below any reporting threshold in accordance with Section 26 (1) Sentence 1 WpHG.

1) Impairments and write-ups.

2) STADA received this publication in English language only.

6.5. Additional disclosures in accordance with IFRS 7

Compulsory disclosures in accordance with IFRS 7 are generally presented in their respective context. If this is not possible, the additional following disclosures are made.

6.5.1. Cash flows from financial liabilities

The following table shows contractually agreed (undiscounted) cash flows for interest payments on financial liabilities, liabilities from financial leasing as well as derivatives for the coming years as of the balance sheet date December 31, 2009:

	2010			2011			2012 –14		
Cash flows from financial liabilities in € 000s	Interest rate fixed	Interest rate variable	Repay-ment	Interest rate fixed	Interest rate variable	Repay-ment	Interest rate fixed	Interest rate variable	Repay-ment
Cash flows from financial liabilities	19,910	14,312	150,000	16,609	14,162	195,500	18,619	31,149	299,000
Cash flow from liabilities financial leasing	585	-	1,977	473	-	2,089	731	-	7,823
Cash flow from derivatives	6,382	1,065	-	5,915	-	-	9,580	-	-

The following cash flows were generated in the previous year:

	2009			2010			2011–13		
Cash flow from financial liabilities in € 000s	Interest rate fixed	Interest rate variable	Repay-ment	Interest rate fixed	Interest rate variable	Repay-ment	Interest rate fixed	Interest rate variable	Repay-ment
Cash flow from financial liabilities	36,436	13,227	-	38,375	10,084	150,000	81,605	16,184	494,500
Cash flow from liabilities financial leasing	-	-	-	-	-	-	-	-	-
Cash flow from derivatives	-	175	-	-	105	-	-	-	-

Included were all financial instruments used by STADA which existed as of December 31, 2009 and for which payments had already been contractually agreed. Planned figures for new future liabilities are not included. Amounts in foreign currency were respectively translated with the cash price on the closing date. The variable interest payments from financial instruments were determined based on the interest rates fixed last before December 31, 2009. For the financial liabilities existing as of the balance sheet date, a repayment in accordance with the maturity disclosed in the balance sheet is assumed.

6.5.2. Disclosures on hedging transactions

The total volume of currency and interest rate related derivatives is comprised as follows:

	December 31, 2009		Previous year	
Volume of currency and interest rate related derivatives in € 000s	Face value	Fair value	Face value	Fair value
Interest rate/currency swaps	35,061	-6,696	35,061	-8,785
Interest rate swaps	275,000	-10,343	275,000	-6,335
thereof				
• fixed rate payer	225,000	-10,779	225,000	-6,346
• fixed rate recipient	50,000	436	50,000	11
Other derivatives	41,081	297	-	-
Total	**351,142**	**-16,742**	**310,061**	**-15,120**

The effects from the transfer of valuation income from hedging transactions disclosed in other comprehensive income in the income statement result from information available on the balance sheet date as follows:

Other comprehensive income in € 000s	Carrying amounts December 31, 2009	2010	2011	2012–2014	2015
Interest cash flow hedges	-5,160	-1,203	-1,019	-2,319	-618

Other comprehensive income in € 000s	Carrying amounts December 31, 2008	2009	2010	2011–2013	2014
Interest cash flow hedges	-3,463	-793	-672	-1,562	-436

6.5.3. Disclosures on carrying amounts, valuation rates and fair values according to valuation categories

Cash and cash equivalents, trade accounts receivable as well as other receivables mainly have short remaining terms. Therefore, their carrying amounts as of the closing date correspond approximately to the fair value.

The fair values of other non-current receivables as well as of held-to-maturity financial investments with remaining terms of more than a year correspond to the present values of the payments connected with the assets by taking into consideration the respectively current interest parameters which reflect market and partner-related changes in the conditions and expectations. Trade accounts payable as well as other liabilities regularly have short remaining terms; the recognized values approximate the fair values.

The following disclosures are made on carrying amounts, valuation rates and fair values by valuation category, whereby the following abbreviations are made pursuant to IAS 39: LaR (loans and receivables), HtM (held-to-maturity investments), AfS (available-for-sale financial assets), HfT (held-for-trading financial assets), FLHfT, (held-for-trading financial liabilities) and FLAC (financial liabilities measured at amortized cost).

			Valuation rate balance sheet in accordance with IAS 39		
Carrying amounts, valuation rates and fair values by valuation category in € 000s	Carrying amount Dec. 31, 2009	Valuation category pursuant to IAS 39	Amortized cost	Fair value not included in the income statement	Fair value included in the income statement
Assets					
Cash and cash equivalents	156,936	LaR	156,936		
Trade accounts receivable	422,073	LaR	422,073		
Loans	36,751	LaR	36,751		
Held-to-maturity financial assets	9	HtM	9		
Available-for-sale financial assets (AfS)	19,592	AfS	19,529	63	
Derivative financial assets	733	HfT			733
Equity and liabilities					
Trade accounts payable	192,612	FLAC	192,612		
Amounts due to banks (financial liabilities)	381,277	FLAC	381,277		
Promissory notes	675,000	FLAC	675,000		
Liabilities financial leasing	11,728	n/a			
Derivative financial liabilities in hedge accounting	5,160	n/a		5,160	
Derivative financial liabilities without hedge accounting	17,115	FLHfT			17,115
Thereof aggregated according to valuation categories in accordance with IAS 39:					
Loans and receivables as well as cash and cash equivalents	615,760	LaR	615,760		
Held-to-maturity financial assets	9	HtM	9		
Available-for-sale financial assets (AfS)	19,592	AfS	19,529	63	
Derivative financial assets	733	HfT			733
Financial liabilities, accounted at cost	1,248,889	FLAC	1,248,889		
Derivative financial liabilities without hedge accounting	17,115	FLHfT			17,115

Based on the table shown above, STADA's maximum credit default risk can be derived from the carrying amount of the individual financial assets.

		Valuation rate balance sheet in accordance with IAS 39				
	Fair value Dec. 31, 2009	Carrying amount previous year	Amortized cost	Fair value not included in the income statement	Fair value included in the income statement	Fair value previous year
	156,936	110,479	110,479			110,479
	422,073	459,511	459,511			459,511
	36,751	39,341	39,341			39,341
	9	27	27			27
	19,592	20,879	20,774	105		20,879
	733	17			17	17
	192,612	162,057	162,057			162,057
	381,277	476,237	476,237			476,237
	675,000	650,000	650,000			650,000
	n/a					-
	5,160	3,463		3,463		3,463
	17,115	16,521			16,521	16,521
	615,760	609,331	609,331			609,331
	9	27	27			27
	19,592	20,879	20,774	105		20,879
	733	17			17	17
	1,248,889	1,288,294	1,288,294			1,288,294
	17,115	16,521			16,521	16,521

The subsequent table shows how the valuation rates of financial instruments measured at fair value were determined:

Fair values by levels of hierarchy in € 000s	Level 1 Quoted prices in active markets Dec. 31, 2009	Level 2 Valuation methods with input parameters observable in the market Dec. 31, 2009	Level 3 Valuation methods with input parameters not observable in the market Dec. 31, 2009
Available-for-sale financial assets (AfS)	63	-	-
Derivative financial assets	-	733	-
Derivative financial liabilities	-	22,275	-

6.5.4. Net earnings from financial instruments

Net earnings from assets and liabilities recognized at fair value can be divided up as follows:

Net earnings by valuation category in € 000s	from interest and dividends	From historical cost at fair value	From historical cost currency translation	From historical cost value adjustment	from disposals	Net earnings Dec. 31, 2009	Net earnings previous year
Loans and receivables as well as cash and cash equivalents	4,047	-	3,737	-11,242	-	-3,458	21,753
Available-for-sale financial assets	831	69	-	-	-	900	1,047
Derivative financial assets	266	723	-	-	-	989	467
Financial liabilities accounted for at acquisition cost	-48,916	-	-14,016	-	-	-62,932	-99,594
Derivative financial liabilities in hedge accounting	-1,564	-1,697	-	-	-	-3,261	-3,090
Derivative financial liabilities without hedge accounting	-1,865	-648	-	-	-	-2,513	-16,333
Total	**-47,201**	**-1,553**	**-10,279**	**-11,242**	**-**	**-70,275**	**-95,750**

The disclosure of interest from financial instruments is made in the interest result, dividends included are disclosed in income from investments. With the exception of valuation earnings from financial instruments recognized at fair value with an effect on income which are included in the interest result, disclosure of the remaining components of net earnings is made in other operating income or expense insofar as valuation earnings from financial assets held for sale and cash flow hedges are affected.

6.5.5. Changes in procurement price risk

STADA is dependent on global developments with respect to purchase prices for active ingredients or auxiliary materials required as well as on the prices negotiated with contract manufacturers in the case of products produced by these companies; these prices may fluctuate significantly depending on the product. In addition, to limit the risk of market-related margin losses due to falling selling prices, STADA partly makes use of instruments towards suppliers that involve them in the market price risk such as price escalation clauses linking procurement prices to current selling prices, retroactive negotiations or the agreement of special procurement prices for special sales volumes, in the context of tenders, for example.

6.5.6. Notes to financial instruments and principles of risk and/or capital management

6.5.6.1. Disclosures of accounting policies of financial instruments

Financial assets and financial liabilities are measured at fair value at their initial recognition. For all financial assets and financial liabilities which are subsequently not measured at fair value with an effect on income, transaction costs directly attributable to the acquisition are to be taken into account. Fair values recognized in the balance sheet usually correspond to the market prices of the financial assets. If these are not readily available, they are calculated by making use of recognized measurement models and by having recourse to current market parameters. For this purpose, the cash flows which are already fixed or calculated by means of the current yield curve via so-called forward rates are discounted to the measurement due date with the discount factors determined by means of the yield curve valid on this date.

Primary financial instruments include in particular receivables from clients, loans, financial shareholdings, securities and cash and cash equivalents as well as financial liabilities and trade liabilities. Receivables which are not held for trading are generally recognized at continued historical cost less write-downs. Write-downs are carried out if there is objective evidence of them. This category primarily comprises trade receivables and loans. Non-interest-bearing and low-interest receivables with a remaining maturity of more than 12 months are discounted. Available-for-sale financial assets are measured at fair value. This category comprises primarily financial shareholdings as well as other financial instruments meeting the relevant criteria of IAS 39.9. To the extent that no quoted market price in an active market is available, subsequent measurement is made at cost of acquisition. Held-to-maturity financial investments are measured at amortized cost. In the context of subsequent measurement, financial liabilities are measured at amortized cost with the exception of derivative financial instruments. Amortized cost is always measured based on the effective interest method.

STADA counters risks from fluctuations in cash flow with derivative financial instruments which are exclusively used to hedge interest and currency risks from operating activities, financial transactions and investments. Derivative financial instruments are neither held nor issued for speculation purposes.

At their initial recognition and on every subsequent due date derivative financial instruments are accounted for as assets or liabilities. Regardless of their purpose, all derivative financial instruments are recognized at fair value.

With so-called fair value hedges, the risk of a change in the fair value of recognized assets or recognized liabilities is hedged. The hedging of unrecognized firm commitments is also reported as fair value hedges. In case of fair value hedges, changes in the fair value of hedging transactions are recorded in profit and loss like changes in fair value of the associated underlying transaction to the extent that the hedging relation is effective.

So-called cash flow hedges are used to hedge against the risk that the future cash flows associated with a recognized asset or a recognized liability or a highly probable planned transaction fluctuate. In case of a cash flow hedge, unrealized profit and loss of the hedging transaction is initially recorded in the amount of the effective part in the relevant provision in shareholders' equity. It is recorded in the income statement when the underlying hedged transaction becomes effective.

IAS 39 determines conditions for the accounting of hedging transactions. In particular, the hedging relationships must be explicitly documented and effective. Effective means that changes in fair value of the hedging transaction are both prospectively and retrospectively within a range of 80% to 125% of the offsetting changes in fair value of the underlying transaction. Only the effective part of a hedging transaction may be accounted for under the rules described. The ineffective part of a hedging relationship is immediately recognized in the income statement.

6.5.6.2. Principles of financial risk management

The basic principles of financial policy and financial risk management are determined or confirmed at least once a year by the Executive Board. All transactions above a relevance threshold determined by the Executive Board additionally require the Executive Board's prior approval, who, in addition, is regularly informed on the nature, scope and the amount of the current risks. Regarding assets, liabilities and scheduled transactions, these risks particularly comprise risks from changes to exchange rates, interest rates and stock-exchange prices. It is the objective of financial risk management to limit these market risks through the current operating and finance-related activities. For this purpose, depending on the assessment of the financial risk, derivative and non-derivative hedging instruments are used.

However, on principle only financial risks are hedged which have significant consequences on the Group's cash flow.

6.5.6.3. Risk management regarding currency risks and currency forward hedges

STADA's currency risks result by far mainly from operating activities, investments and financing measures.

Foreign currency risks which do not significantly influence the Group's cash remain unhedged while risks due to foreign currencies are usually hedged to the extent that they can significantly influence the Group's cash flows.

In the operating area, the individual Group companies carry out their activities mainly in their individual functional currency. Therefore, from today's perspective, STADA estimates the currency risk from current operating activities as being low, even if forecasts for currency relations cannot be accurately made against the backdrop of the actual global financial and economic

crisis. There is, however, a significant currency translation risk in the transfer of results from local subsidiaries outside of the euro zone into Group accounting. Some Group companies are exposed to foreign currency risks in connection with planned payments outside their functional currencies. These mainly relate to the refinancing of the Serbian Hemofarm group and the Russian subsidiary Nizhpharm.

On behalf of the STADA Group as a whole, STADA Arzneimittel AG employs in principal different financial derivatives to hedge assets, liabilities and anticipated future cash flows denominated in foreign currency. In the 2009 reporting year, STADA Arzneimittel AG made particular use of foreign-exchange futures contracts among other things. The maturity dates of futures contracts are selected to match the Company's anticipated cash flows. Generally, however, their terms do not exceed one year. Based on the respective foreign currency planning, a hedge strategy is thereby developed in the context of a risk analysis, making use of the variance-covariance method.

However, it cannot be ruled out that the hedging strategies against currency risks turn out to be insufficient, wrong or suboptimal because, for example, the financial markets develop contrary to expectations and that adverse effects for STADA result from this.

6.5.6.4. Default risk

STADA Arzneimittel AG may be exposed to default risk if contracting parties fail to meet their obligations. To minimize credit risks, such agreements are only concluded with banks of impeccable financial standing.

In 2009, the largest individual defaults were the write-offs of receivables from wholesalers in CEE-countries reported as a one-time special effect in the net amount of € 7.2 million (see 2.8.).

6.5.6.5. Changes in interest rate risk

STADA is primarily exposed to interest rate risks in the euro zone, in the United Kingdom as well as in Serbia and Russia. In order to minimize the effects of interest rate fluctuations, STADA manages the interest rate risk for the financial liabilities denominated in euro and ruble with derivative hedging transactions (so-called interest rate swaps). Due to these hedging transactions, in 2009, an average of 72% (previous year: 73%) of financial liabilities denominated in euro and 100% (previous year: 100%) of those denominated in ruble had fixed interest rates.

The valuation of these interest rate-swaps at market value is based on generally accepted valuation models.

The Group's financial result contains a net burdening effect from the evaluation of interest rate hedge transactions to limit the Group's maximum interest burden in the amount of € 2.3 million for financial year 2009 (previous year: burden of € 5.4 million). In addition, a burdening effect for the financial result in the amount of € 0.8 million (previous year: € 10.1 million) arose from the evaluation of interest rate hedge transactions of a Russian subsidiary to stabilize the interest rate level of an existing loan from an earlier acquisition financing in combination with a currency condition relating to the currency relation ruble/euro.

6.5.6.6. Liquidity risk from financial instruments

The Group's liquidity was guaranteed at any time in the past financial year. For this purpose as well as to guarantee STADA's financial flexibility, a liquidity reserve in form of credit lines and, if required, cash is set aside. For this, STADA has concluded bilateral credit contracts with various banks.

6.5.6.7. Quantitative disclosures on risks in connection with market rates of interest

If the market interest rate level had been 100 basis points higher or lower as of December 31, 2009, the Group's earnings before taxes would have been approx. € 2.7 million lower (previous year: € 0.5 million) or € 2.6 million higher (previous year: € 0.6 million). These hypothetical consequences for earnings result from an increase of 100 basis points from potential effects from interest rate derivatives in the amount of approx. € 2.8 million (previous year: € 3.6 million) and primary financial liabilities with variable interest rates in the amount of approx. € -5.5 million (previous year: € -3.1 million). In case of a reduction of 100 basis points this results in potential effects from interest derivatives in the amount of approx. € -2.9 million (previous year: € -3.7 million) and primary financial liabilities with variable interest rates of approx. € 5.5 million (previous year: € 3.1 million). With an increase of the market interest rate level as of December 31, 2009 by 100 basis points, the Group's equity would have been approx. € 3.2 million higher (previous year: € 3.7 million) or, with a reduction of the market interest rate level by 100 points, approx. € 3.4 million lower (previous year: € 4.0 million).

6.5.6.8. Quantitative disclosures on risks in connection with currency changes

STADA determines quantitative disclosures on risks in connection with currency changes by means of adding up all of the Group companies' foreign currency items that are not denominated in the respective Group company's functional currency. In case of hedging transactions they are compared with the balances of assets or equity and liabilities from the adding up. This results in the subsequent material outstanding foreign currency items at the respective balance sheet dates which in case of a change to the foreign currency item due to a 10% appreciation of the euro are as follows:

	Dec. 31, 2009			Dec. 31, 2008		
Foreign currency in € 000s	Euro	Ruble	USD	Euro	Ruble	USD
Outstanding foreign currency item	-59,800	40,503	-12,166	-67,147	13,758	-19,635
Income (+) / expense (-) from a change in the foreign currency item due to a 10% appreciation of the euro	-5,980	+4,050	-1,217	-6,715	+1,376	-1,963
Equity increase (+) / equity reduction (-) from a change in the foreign currency item due to a 10% appreciation of the euro	-8,965	-	-	-7,642	-	-

Here, any currency risk is isolated, i.e. it is taken into account without mutual dependencies.

6.6. Information on the Company's Executive Board

6.6.1. Composition of the Executive Board

The members of the Executive Board of STADA Arzneimittel AG on the balance sheet date were:

- Hartmut Retzlaff, Chairman of the Executive Board (under contract until August 31, 2011)
- Christof Schumann, Chief Production & Development Officer (under contract until December 31, 2010)

The Supervisory Board of STADA Arzneimittel AG and the former member of the Executive Board of STADA, Wolfgang Jeblonski, agreed on August 12, 2009 that Wolfgang Jeblonski would leave the Executive Board of STADA Arzneimittel AG by mutual agreement and with the thanks of the Executive Board and Supervisory Board for his many years of successful service to the Group with immediate effect.

On October 29, 2009 STADA published that Helmut Kraft will become the new Chief Financial Officer of STADA Arzneimittel AG. The Supervisory Board appointed Helmut Kraft effective January 1, 2010 for a three-year term.

The Executive Board is appointed and dismissed exclusively in accordance with legal regulations. The articles of incorporation do not provide special provisions on the appointment or dismissal of individual and all members of the Executive Board. Only the Supervisory Board is responsible for the appointment and dismissal. It appoints members of the Executive Board for a maximum of five years. A repeated appointment or extension of the term is allowed, for a maximum of five years each.

6.6.2. Mandates of Executive Board members

Hartmut Retzlaff is or was also member of the Administrative Board of HSBC Trinkaus & Burkhardt AG, member of the Administrative Board of AmVac AG (from June 30, 2008 until February 5, 2009), member of the Supervisory Board of BIOCEUTICALS Arzneimittel AG, member of the Supervisory Board of SA Neocare, SA Eurogenerics and Hemofarm A.D. (Chairman), Clonmel Healthcare Limited, Laboratorio STADA, S.L. (Chairman) (until June 30, 2009), SFS International Limited, STADA Financial Investments Limited and STADA Logistics Ireland Limited (until November 20, 2009).

Wolfgang Jeblonski was member of the Supervisory Board of Laboratorio STADA, S.L. until June 30, 2009, as well as until his departure as of August 12, 2009 from the Executive Board of STADA Arzneimittel AG also member of the Entrepreneur's Advisory Board of DZ Bank AG, member of the Advisory Board of the Region Mitte of Deutsche Bank AG, member of the Advisory Board of Pictet Generics Funds, member of the Supervisory Board SA Neocare, SA Eurogenerics, Hemofarm A.D., Clonmel Healthcare Limited, Croma Medic, Inc., Health Vision Enterprise Limited, Health Vision Medicine Limited, SFS International Limited, STADA Financial Investments Limited and STADA Logistics Ireland Limited.

Christof Schumann is also member of the Executive Board of BIOCEUTICALS Arzneimittel AG, Chairman of the Advisory Board of Norbitec GmbH, member of the Supervisory Board of Hemofarm A.D., Clonmel Healthcare Limited (since September 24, 2009) and STADA Production Ireland Limited (since September 24, 2009) as well as member of the Scientific Advisory Board of Weiterbildungsinstitut für pharmazeutisch-technische Assistenten GbR.

6.6.3. Report on the remuneration of the Executive Board

The report on the remuneration of the Executive Board presents the remuneration system as well as the individual remuneration of the Executive Board of STADA Arzneimittel AG. Reporting date for this Remuneration Report is the balance sheet date December 31, 2009.

6.6.3.1. Principles of the Executive Board's remuneration system

Each Executive Board member receives remuneration, which, in view of the tasks, the personal performance, the Executive Board's overall performance, the economic situation, the Company's success and future prospects, also in consideration of the comparative environment, is individually deemed appropriate by the Supervisory Board.

Overall remuneration includes monetary remuneration parts as well as non-monetary remuneration parts, which include pension agreements, in particular.

The respective monetary remuneration includes fixed components and variable components, which depend on the Company's success in the reporting year. The amount as well as the breakdown of fixed vs. variable components of remuneration depends on the individual provisions of the employment contract of the member of the Executive Board.

There was neither a stock option plan nor other instruments with a long-term incentive effect in place for Executive Board members as of the balance sheet date.

In line with new legal requirements from the Law for the Appropriateness of Executive Board Remuneration (VorstAG), particularly Sections 87 and 93 of the German Stock Corporation Act (AktG), the Supervisory Board has informed the Executive Board that it is pursuing fundamental changes in the remuneration system for Executive Board members. In the modified remuneration structure, the variable Executive Board remuneration should be oriented toward short, middle and long-term goal parameters which relate to the respective areas of responsibility of the individual Executive Board member; at the same time, an upper-limit is to be set for variable income.

The Executive Board contract for the new Chief Financial Officer Helmut Kraft, which took effect on January 1, 2010, already complies with the modified remuneration structure.

6.6.3.2. Monetary remuneration of the Executive Board

In financial year 2009, total monetary remuneration for current members of the Executive Board was € 4,159,858.64 within STADA Arzneimittel AG and € 4,236,405.64 within the Group.

This total monetary remuneration as at the balance sheet date paid to current members of the Executive Board in the financial year 2009 can be broken down as follows:

- Hartmut Retzlaff: € 2,770,285.35 (thereof € 1,373,304.20 fixed and € 1,396,981.15 variable)
- Christof Schumann: € 1,466,120.29 (thereof € 762,379.72 fixed and € 703,740.57 variable)

In financial year 2009, total monetary remuneration for former members of the Executive Board was € 1,255,978.82 within STADA Arzneimittel AG and € 1,272,059.30 within the Group.

Of this total monetary remuneration paid to former members of the Executive Board in 2009 € 993,357.78 was paid to Wolfgang Jeblonski who left the Executive Board in financial year 2009 (Executive Board member until August 12, 2009) for the period January 1, 2009 to August 12, 2009 (thereof € 551,857.78 fixed and € 441,500.00 variable).

In the financial year 2009, severance compensation for former Executive Board member Wolfgang Jeblonski, who left in 2009, in the amount of € 2,027,917.51 was incurred.

6.6.3.3. Non-monetary remuneration of the Executive Board

In addition to monetary remuneration, the Company grants pension agreements to the Chairman of the Executive Board, Hartmut Retzlaff. The pension agreements contain/contained commitments to an annual pension, which, depending on the duration of the Executive Board position, is calculated as a percentage of the basic remuneration. A percentage of the variable remuneration, which was granted during the last five years before the beginning of pension payments, is additionally taken into consideration. Payments from the pension commitments begin on request as pension payments, in principle after completion of the current Executive Board contract to the extent that it is not renewed or as disability pension if employment ends before this due to an inability to work. Expenses for the pension commitments of the Executive Board earned in financial year 2009 amount to € 693,942.00.

Current pension provisions for former Executive Board members in financial year 2009 amounted to € 4,065,800.00.

6.6.3.4. Commitments to Executive Board members in the case of termination of their activity

For the Chairman of the Executive Board, Hartmut Retzlaff, a supplementary agreement to the employment contract contains a severance pay regulation for the case that the Executive Board contract, as a result of a closely defined change of control within the context of a takeover, is terminated. The severance payment consists of a one-time payment of an amount equal to five times the gross annual income in the last full year prior to the takeover, including bonus paid-out. In addition, the Chairman of the Executive Board receives remuneration including the bonus as agreed in the his employment contract for the entire term of the contract. The bonus is calculated based on the average of the previous two bonuses paid prior to the termination of the contract.

The contract of Executive Board Member Christof Schumann contains a provision for the full payment of all remuneration intended for the contract term as well as for the payment of a transitional allowance. If Christof Schumann is removed as a member of the Executive Board before the end of the period of appointment, all entitlements to remuneration which were agreed on under the Executive Board contract for the period of appointment remain unaffected. If the Executive Board mandate of Christof Schumann ends before his reaching the age of 65 years of age, either because he is removed early or because he is not reappointed, Christof Schumann will receive a one-time transitional allowance in the amount of a fixed annual remuneration plus half of the previous year's bonus.

6.6.3.5. Benefits from third parties outside the Group, which were promised or granted to members of the Executive Board in the reporting year with regard to their position in the Executive Board

To the Company's knowledge, no benefits from third parties outside the Group were promised or granted to appointed Executive Board members in financial year 2009 with regard to their position in the Executive Board in the reporting year.

6.6.4. Loans to members of the Executive Board

There were no loans outstanding to members of the Executive Board as of the balance sheet date.

6.7. Information on the Company's Supervisory Board

6.7.1. Composition of the Supervisory Board and its committees

The members of the Supervisory Board on the balance sheet date were:

- Dr. Martin Abend, Attorney, Dresden (Chairman)
- Mandred Krüger, member of the Works Council released from operational duties, Mühlheim am Main (Deputy Chairman)
- Dr. Eckhard Brüggemann, Doctor, in retirement, Herne
- Heike Ebert, Head of Packaging, Niddatal
- Dr. K. F. Arnold Hertzsch, Self-employed pharmacist, Dresden
- Dieter Koch, Pharmacist, Kiel
- Constantin Meyer, Self-employed pharmacist, Seelze
- Carl Ferdinand Oetker, Banker, Düsseldorf
- Karin Schöpper, Market Research Manager, Bad Vilbel

With the completion of STADA's Annual General Meeting on June 10, 2009, there were – as a result of a regular new election in May this year – changes in the employee representatives on STADA's Supervisory Board. The employee representatives on STADA's Supervisory Board are now unchanged Heike Ebert as well as newly elected members Karin Schöpper and Manfred Krüger. At the same time, Karl Hertle and Adolf Zissel left the Supervisory Board; before his departure, Karl Hertle had been Deputy Chairman of the Supervisory Board. Manfred Krüger was elected Deputy Chairman of the Supervisory Board of STADA Arzneimittel AG in a Supervisory Board meeting held directly after the Annual General Meeting.

On August 24, 2009, STADA's Supervisory Board elected Dr. Martin Abend new Chairman of the Supervisory Board.

The previous Chairman of STADA's Supervisory Board, Dr. Eckhard Brüggemann, had before resigned from his position as Chairman of the Supervisory Board before; he, however, remains a member of the committee. In addition, the member of the Supervisory Board Uwe E. Flach had resigned from the Supervisory Board as of September 24, 2009, after the one-month period stipulated by the articles of incorporation.

Effective November 13, 2009, the District Court of Frankfurt am Main appointed, based on a joint proposal of the Supervisory Board and Executive Board, Carl Ferdinand Oetker as new member of the Supervisory Board of STADA Arzneimittel AG. The period in office for the replacement member Oetker is limited to the time until the end of the Annual General Meeting on June 8, 2010 at which, in accordance with Section 12 (3) of the articles of incorporation of STADA Arzneimittel AG, an election is to take place.

The term of all other shareholders' Supervisory Board members ends with the completion of the Annual General Meeting 2013.

The Supervisory Board has created the following committees as of the balance sheet date:
- Human Resources Committee with the following members: Dr. Martin Abend, Manfred Krüger, Dieter Koch
- Audit Committee with the following members: Dr. Martin Abend, Carl Ferdinand Oetker, Karin Schöpper

6.7.2. Mandates of Supervisory Board members

Heike Ebert is at the same time member representative of the Frankfurter Volksbank eG (since May 2008).

Carl Ferdinand Oetker is at the same time Chairman of the Advisory Boards of EWABO Chemikalien GmbH & Co. KG, Chairman of the Advisory Board of wink Stanzwerkzeuge GmbH & Co. KG, a member of the Supervisory Board of wink Danmark A/S, a member of the Advisory Board of Lampe Asset Management GmbH, a member of the Advisory Board of Dale Investment Advisors, member of the Board of Trustees of the Stiftung Hamburger Admiralität and a member of the Board of Directors of Cloverfield Inc.

Until leaving the Supervisory Board of STADA Arzneimittel AG effective September 24, 2009, Uwe E. Flach was at the same time member of the Supervisory Board of Deutsche Wohnen AG, Chairman of the Supervisory Board at GEHAG GmbH, Chairman of the Supervisory Board at Haus und Heim Wohnungsbau AG, Chairman of the Supervisory Board at Nordenia International AG, member of the Supervisory Board at Versatel AG (since February 11, 2009) as well as member of the Advisory Board at DZ Bank AG.

6.7.3. Report on the remuneration of the Supervisory Board

The report on the remuneration of the Supervisory Board presents the remuneration system as well as the individual remuneration of the Supervisory Board of STADA Arzneimittel AG. Reporting date for this Remuneration Report is the balance sheet date December 31, 2009.

6.7.3.1. Remuneration system of the Supervisory Board according to the Company's statutes

The remuneration system of the Supervisory Board is as follows pursuant to Section 18 of STADA Arzneimittel AG's articles of incorporation:

For the relevant financial year, in addition to reimbursement of expenses, Supervisory Board members receive:

- an annual fixed sum of € 25,000 and

- additional remuneration in the amount of 0.03% of Group earnings before taxes.

The Chairman of the Supervisory Board receives triple this amount and his deputy twice the amount. Value added tax must be paid on the remuneration.

In addition, Supervisory Board members receive an annual fixed remuneration of € 10,000 for their committee activities for the past financial year. The Chairman of a committee receives twice this amount in remuneration. Value added tax must be paid on the remuneration.

6.7.3.2. Remuneration of the Supervisory Board

In financial year 2009, remuneration of appointed Supervisory Board members totaled € 870,922.60.

Remuneration of the appointed Supervisory Board members can be broken down as follows:

- Dr. Martin Abend € 127,806.63 (thereof € 55,623.29 fixed and € 72,183.34 variable)
- Manfred Krüger € 78,463.28 (thereof € 31,284.63 fixed and € 47,178.65 variable)
  (member of the Supervisory Board since June 10, 2009)
- Dr. Eckhard Brüggemann € 174,639.23 (thereof € 76,979.41 fixed and € 97,659.82 variable)
- Heike Ebert € 67,460.79 (thereof € 25,000.00 fixed and € 42,460.79 variable)
- Uwe E. Flach € 68,979.24 (thereof € 37,841.33 fixed and € 31,137.91 variable)
  (member of the Supervisory Board until September 24, 2009)
- Karl Hertle € 67,452.96 (thereof € 29,710.04 fixed and € 37,742.92 variable)
  (member of the Supervisory Board until June 10, 2009)
- Dr. K. F. Arnold Hertzsch € 67,460.79 (thereof € 25,000.00 fixed and € 42,460.79 variable)
- Dieter Koch € 70,967.64 (thereof € 28,506.85 fixed and € 42,460.79 variable)
- Constantin Meyer € 67,460.79 (thereof € 25,000.00 fixed and € 42,460.79 variable)
- Carl Ferdinand Oetker € 9,958.06 (thereof € 4,414.57 fixed and € 5,543.49 variable)
  (member of the Supervisory Board since November 13, 2009)
- Karin Schöpper € 40,985.06 (thereof € 17,395.73 fixed and € 23,589.33 variable)
  (member of the Supervisory Board since June 10, 2009)
- Adolf Zissel € 29,288.13 (thereof € 10,416.67 fixed and € 18,871.46 variable)
  (member of the Supervisory Board until June 10, 2009)

Beyond this remuneration no additional monies or benefits have been granted to members of the Supervisory Board for personally rendered services, in particular for consulting or mediation services, other than in the following case: Supervisory Board member Constantin Meyer received royalty payments in the amount of € 40,008.00.

6.7.4. Loans to members of the Supervisory Board

There were no loans outstanding to members of the Supervisory Board as of the balance sheet date.

6.8. Related party transactions

In the scope of the ordinary course of business STADA Arzneimittel AG and/or its consolidated companies have entered into related party transactions. In accordance with IAS 24, “related parties” refers to directly or indirectly controlled subsidiaries, associates and joint ventures as well as persons in key positions and their close relatives that are not consolidated due to lack of material significance. In principle, all trades were settled with related companies and persons at market-rate conditions.

6.8.1. Relations to natural persons

In the course of their normal professional activities, individual members of the Supervisory and Advisory Boards who are self employed have business dealings with the Company. These are not significant as regards their volume and nature. As regards potential additional business relations with members of the Executive and Supervisory Boards we refer to the respective Remuneration Report.

6.8.2. Significant relations to subsidiaries, associated companies, joint ventures and companies in which participating interests are held

Within assets and liabilities the following amounts are related to transactions involving affiliated companies:

in € 000s	Dec. 31, 2009	Previous year
Trade receivables		
Subsidiaries	5,142	2,393
Associated companies	-	32
Joint ventures	1,055	1,107
Companies in which participating interests are held	-	4
Trade payables		
Subsidiaries	2,615	1,792
Associated companies	-	-
Joint ventures	363	103
Companies in which participating interests are held	21	-

Income and expenses are related to transactions involving affiliated companies as follows:

in € 000s	2009	Previous year
Sales		
Subsidiaries	4,191	2,984
Associated companies	-	-
Joint ventures	480	537
Companies in which participating interests are held	-	-
Interest income		
Subsidiaries	34	45
Associated companies	2,157	1,675
Joint ventures	28	26
Companies in which participating interests are held	-	-
Interest expense		
Subsidiaries	-	14
Associated companies	481	-
Joint ventures	-	-
Companies in which participating interests are held	-	-

After capital increases in 2006 and 2009, STADA, as per December 31, 2009, holds 15.86% of shares in BIOCEUTICALS Arzneimittel AG.

STADA continues to provide BIOCEUTICALS with a credit line facility with an interest rate that is partly usual for risk capital and of which a total of € 36.8 million had been used as per December 31, 2009. In addition, a capital guarantee from STADA for the benefit of BIOCEUTICALS exists, of which € 6.0 million had been used as per December 31, 2009. In addition, STADA continues to hold a so-called "call option" which can be exercised yearly from 2011, according to which STADA can acquire all shares in BIOCEUTICALS at a price which is already defined via a formula.

A service contract exists with BIOCEUTICALS Arzneimittel AG. Moreover, among other things, BIOCEUTICALS has granted cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH semi-exclusive distribution rights for Epo-zeta for Germany. In some other European countries (such as Serbia or Russia, for example), a local STADA-owned subsidiary can receive or has already received at the same time a semi-exclusive local sales license from BIOCEUTICALS. Moreover, BIOCEUTICALS gave a worldwide sales license for the product Filgrastim, which is still being developed, to cell pharm. In addition, besides being Chief Production & Development Officer at STADA Arzneimittel AG, Christof Schumann is also member of the Executive Board at BIOCEUTICALS Arzneimittel AG.

Beyond that, STADA has various business relations with its joint partner in the joint ventures STADA Import/Export Ltd., British Virgin Islands, as well as STADA Vietnam J.V. Co., Ltd., Vietnam. Co., Ltd., Vietnam. Those business relations relate to a loan in the amount of € 1.0 million which was granted by the co-owner of STADA Import/Export to that company and for which corresponding interest expenses were incurred by the joint venture company. In addition, the co-owners of STADA Vietnam receive a management remuneration for their activities as General Managers of the joint venture company, in financial year 2009, this amounted to € 61,000.

6.9. Relations to the auditor

In financial year 2009, the following professional fees were recognized as expenses for services rendered by the auditor of the consolidated financial statements:

in € 000s	2009	Previous year
Fees paid to the auditor of the consolidated financial statements	361	287
• thereof for audits	250	230
• thereof for other auditing services	50	50
• thereof for tax consultancy services	-	-
• thereof for other services	61	7

6.10 Declaration of compliance with German Corporate Governance Code

In accordance with Section 161 of the German Stock Corporation Act, the Executive and Supervisory Boards have issued their annual joint declaration of compliance with the German Corporate Governance Code on November 5, 2009. During a five-year period, shareholders are provided with permanent access to this declaration on the Company's website www.stada.de (German website) and www.stada.com (English website). The Company also publishes the declaration in this Annual Report under "Additional Information".

7. Dividend

According to the German Stock Corporation Act, the distributable dividend is determined according to the distributable profit reported by STADA Arzneimittel AG in its annual financial statements prepared in accordance with the rules and regulations of German Commercial Law. This amounted to € 32,794,501.92 as of December 31, 2009. The Executive Board proposes that a dividend of € 0.55 per common share be appropriated from distributable profit for financial year 2009. In financial year 2009, a dividend in the amount of € 0.52 per common share was distributed to shareholders from the distributable profit of financial year 2008 (financial year 2008: € 0.71 per common share from distributable profit of financial year 2007).

Bad Vilbel, March 12, 2010

H. Retzlaff
Chairman of the Executive Board

H. Kraft
Chief Financial Officer

C. Schumann
Chief Production
and Development Officer

ADDITIONAL INFORMATION

RESPONSIBILITY STATEMENT

To the best of our knowledge and in accordance with the applicable reporting principles for consolidated financial statements reporting, the consolidated financial statements give a true and fair view of the business, financial position and results of operations and profit or loss of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the Group's expected development.

Bad Vilbel, March 12, 2010

H. Retzlaff
Chairman of the Executive Board

H. Kraft
Chief Financial Officer

C. Schumann
Chief Production and Development Officer

DECLARATION OF COMPLIANCE

Joint report of the Executive and Supervisory Board of STADA Arzneimittel AG pursuant to Section 3.10 of the German Corporate Governance Code

In the past financial year, the Executive Board and the Supervisory Board dealt in detail with the recommendations and suggestions of the German Corporate Governance Code (DCGK), particularly with the new requirements of June 18, 2009. On the basis of these recommendations, the declaration of compliance detailed below was issued by the Executive and Supervisory Board.

Joint Declaration of the Executive and Supervisory Board of STADA Arzneimittel AG concerning the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act (AktG)

STADA Arzneimittel AG complies with the recommendations of the German Corporate Governance Code in the version of June 18, 2009 (published on August 5, 2009 in the electronic Federal Gazette) with the following exceptions:

Section 3.8: D&O insurance – deductible for supervisory board members

The D&O insurance policy covering board members and top management, which is part of a common group insurance policy, does not contain a deductible for supervisory board members since it is not customary in international practice to have such a deductible for top management, and in the opinion of the Supervisory and Executive Board, supervisory board members should not be placed in a worse position than the Company's top management.

Section 4.2.3: Arrangements for payments in the case of early termination of Executive Board mandate

The regulations in existing Executive Board contracts with regard to payments in the case of early termination of the Executive Board mandate do not comply with the Corporate Governance Code. For the future, the Supervisory Board will also not rule out completing Executive Board contracts with regulations which, in this regard, do not comply with the Corporate Governance Code. It is the position of the Supervisory Board that, for the completion of Executive Board contracts, detailed individual regulations may not be prejudged, but rather that the Supervisory Board must be able to take advantage of the full legal framework in the configuration of Executive Board contracts in order to achieve a situationally optimal filling of Executive Board positions.

Section 5.3.3: Nomination Committee for Supervisory Board elections

In view of the size of STADA's Supervisory Board, with six shareholder representatives, the Supervisory Board believes that such an additional committee is structurally superfluous; the additional compensation, which pursuant to the articles of incorporation would be payable to Supervisory Board members involved in such a committee, is thus avoided.

Section 5.4.1: Age limit for members of the Supervisory Board

The Supervisory Board's rules of order do not provide for an age limit because such an age limit would shorten the voting rights of the shareholders in the Annual Shareholders' Meeting.

Section 6.6: Shares held by members of the Executive Board and Supervisory Board

The purchase and sale of STADA shares and options by members of the Executive Board and Supervisory Board and by closely related persons mentioned in the law are reported to the Company itself and to the German Federal Financial Supervisory Authority (BaFin) in accordance with legal requirements and are published on the Company's website in accordance with legal requirements. However, the shares and the options to purchase and sell such shares held by individual members of the Executive Board and Supervisory Board are not published in the Notes to the Company's financial statements. The Supervisory Board and the Executive Board are of the opinion that compliance with the legal requirements provides sufficient transparency.

Since the last joint declaration in the fourth quarter of 2008, STADA Arzneimittel AG complied with the recommendations of the German Corporate Governance Code with the following exceptions:

Section 3.8: D&O insurance - deductible for board members

The D&O insurance policy covering board members and top management, which is part of a common group insurance policy, does not contain a deductible for board members since it is not customary in international practice to have such a deductible for top management, and in the opinion of the Supervisory and Executive Board, board members should not be placed in a worse position than the Company's top management.

Section 3.10: Corporate Governance Report

The reporting obligation in accordance with Section 3.10 of the Corporate Governance Code and the reporting requirements set out in § 161 of the German Stock Corporation Act (AktG) partially deviate from one another in terms of content. The Executive Board and Supervisory Board have decided to orient the Company's reporting on Corporate Governance in line with the legal requirements.

Section 4.2.3: Arrangements for payments in the case of early termination of Executive Board mandate

The regulations in existing Executive Board contracts with regard to payments in the case of early termination of the Executive Board mandate do not comply with the Corporate Governance Code. For the future, the Supervisory Board will also not rule out completing Executive Board contracts with regulations which, in this regard, do not comply with the Corporate Governance Code. It is the position of the Supervisory Board that, for the completion of Executive Board contracts, detailed individual regulations may not be prejudged, but rather that the Supervisory Board must be able to take advantage of the full legal framework in the configuration of Executive Board contracts in order to achieve a situationally optimal filling of Executive Board positions.

Section 4.2.5: Remuneration Report as part of the Corporate Governance Report

The Company publishes annually in the Notes of the Annual Report both the legally required information as well as the information required by the Corporate Governance Code regarding the remuneration of the Executive Board and Supervisory Board. The Company forgoes a repetition of this information within the framework of a Remuneration Report in the Corporate Governance Report in order to avoid being redundant.

Section 5.3.3: Nomination Committee for Supervisory Board elections

In view of the size of STADA's Supervisory Board, with six shareholder representatives, the Supervisory Board believes that such an additional committee is structurally superfluous; the additional compensation, which pursuant to the articles of incorporation would be payable to Supervisory Board members involved in such a committee, is thus avoided.

Section 5.4.1: Age limit for members of the Supervisory Board

The Supervisory Board's rules of order do not provide for an age limit because such an age limit would shorten the voting rights of the shareholders in the Annual Shareholders' Meeting.

Section 6.6: Shares held by members of the Executive Board and Supervisory Board

The purchase and sale of STADA shares and options by members of the Executive Board and Supervisory Board and by closely related persons mentioned in the law are reported to the Company itself and to the German Federal Financial Supervisory Authority (BaFin) in accordance with legal requirements and are published on the Company's website in accordance with legal requirements. However, the shares and the options to purchase and sell such shares held by individual members of the Executive Board and Supervisory Board are not published in the Notes to the Company's financial statements. The Supervisory Board and the Executive Board are of the opinion that compliance with the legal requirements provides sufficient transparency.

For STADA, the recommendations of the Corporate Governance Code serve as a general basis for the Company's activity. In daily practice, however, individual situations may occur in which the application of the Code could lead to limitations in the flexibility of the Company or in the proven corporate practice. In these individual cases, contrary to the Declaration of Compliance, deviations from the recommendation of the Code may take place. STADA will, however, regularly review and, if necessary correct compliance with the Code and the above mentioned exceptions.

Bad Vilbel, November 5, 2009

Dr. Martin Abend
Chairman of the Supervisory Board

Hartmut Retzlaff
Chairman of the Executive Board

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by STADA Arzneimittel Aktiengesellschaft, Bad Vilbel, comprising the balance sheet, the income statement, statement of comprehensive income, statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2009. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the legal representatives of the company. Our responsibility is to express an opinion on these consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit.

The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report.

We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt, March 12, 2010

PKF Deutschland GmbH
Wirtschaftsprüfungsgesellschaft

Roman Brinskelle
German Public Accountant

Santosh Varughese
German Public Accountant

REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

The Supervisory Board of STADA Arzneimittel AG, in accordance with the duties imposed on it by law and the Company's articles of incorporation, carefully and regularly monitored the work of the Executive Board during the year under review and accompanied this work in an advisory capacity. This applies both to the strategic decisions, for example on the continued expansion of the STADA Group, as well as to operational activities of the Group and various Group companies during the course of the year.

The Supervisory Board convened for a total of twelve meetings in financial year 2009 (on January 23, February 19, March 20, May 6, June 9, June 10, August 12, August 24, September 17, October 2, November 6 and December 11).

In financial year 2009 the Chief Financial Officer Wolfgang Jeblonski left the Executive Board. The Supervisory Board and Wolfgang Jeblonski agreed on August 12, 2009 that Wolfgang Jeblonski would leave the Executive Board of the Company with immediate effect by mutual agreement and with the thanks of the Executive Board and Supervisory Board for his many years of successful service to the Group.

The remaining Executive Board members assumed the tasks of Wolfgang Jeblonski. Christof Schumann was also responsible for Procurement until February 15, 2010 and also headed the Logistics area until February 28, 2010. Hartmut Retzlaff was temporarily also responsible until December 31, 2009 for the area of Finance and, until February 15, 2010, for the area of Information Technology (IT). Since March 1, 2010, Hartmut Retzlaff has also assumed responsibility for the Logistics area from Christof Schumann.

Effective January 1, 2010, the Supervisory Board appointed Helmut Kraft new Chief Financial Officer for a three-year term. In addition to the area of Finance Helmut Kraft is also responsible for the areas of Procurement and IT since February 15, 2010.

With the completion of STADA's Annual General Meeting on June 10, 2009, there were – as a result of a regular new election in May 2009 – changes in the employee representatives on STADA's Supervisory Board. Since that day, the employee representatives on STADA's Supervisory Board continue to be unchanged Heike Ebert as well as newly elected members Karin Schöpper and Manfred Krüger. Manfred Krüger was elected Deputy Chairman of the Supervisory Board of STADA Arzneimittel AG in a Supervisory Board meeting held directly after the Annual General Meeting.

On August 24, 2009, STADA's Supervisory Board elected Dr. Martin Abend as new Chairman of the Supervisory Board. The previous Chairman of STADA's Supervisory Board Dr. Eckhard Brüggemann had resigned from his position as Chairman of the Supervisory Board before; he remains, however, a member of the committee.

After Uwe E. Flach on this day resigned his position as member of the Supervisory Board as of September 24, 2009 following the one-month period of notice stipulated by the articles of incorporation, the District Court of Frankfurt am Main, based on a joint proposal from the Supervisory Board and Executive Board, appointed Carl Ferdinand Oetker as new member of the Supervisory Board of STADA Arzneimittel AG effective November 13, 2009. The period in office for the replacement member Carl Ferdinand Oetker is limited to the time until the end of the Annual General Meeting on June 8, 2010 at which, in accordance with Section 12 (3) of STADA Arzneimittel AG's articles of incorporation, an election is to take place.

In its meetings, the Supervisory Board received detailed reports from the Executive Board on all important business activities and discussed these in detail with that body.

The focus there was, among other things, on the following issues:

- the Company strategy and its operative implementation,
- the economic situation of the Company, its segments and subsidiaries and, in particular, their respective sales, sales volume, costs and earnings development, the development of working capital, the cash flow, inventories, the balances and terms of receivables as well as the effects of the global financial and economic crisis,
- the market structures, development of demand, the competitive situation and the development of prices, conditions and discounts in the individual national markets and in particular the development of market shares of the Group and the relevant competitors,
- the assets situation of the Group and its finance and liquidity situation considering especially the investment plans in the Group, the financing structures and refinancing strategies as well as the development of the debt-to-equity ratio,
- the risk and opportunities management and the significant risks for the Group that were revealed as a result as well as the internal control and auditing systems, contemplated, planned and executed acquisitions and cooperations of the Group as well as the integration of acquired companies in the Group,
- the effects of regulatory state interventions on the Group and/or on the individual subsidiaries and the necessary reactions to these, especially in the German home market with regard to discount agreements with health insurance organizations,
- the objectives, the methods, the implementation and the results of the Group's continuing cost optimization, in particular in the areas of procurement and production,
- the optimization of Group structures, particularly in the finance area and within the framework of the Group project "STADA – build the future" launched for this purpose in 2009,
- the Group's product development and product portfolio,
- the Annual Report as well as the interim reports of the Group prior to their respective publication,
- STADA's position in the capital markets,
- Executive Board issues as well as the Executive Board remuneration system,
- issues on the composition, the rules of procedure and the efficiency of the Supervisory Board as well as its management.

In addition, the Supervisory Board consulted on the further development of corporate governance, especially with a view to the changes to the Corporate Governance Code of June 18, 2009 (these were announced and took effect on August 5, 2009). On November 5, 2009, the Supervisory and Executive Boards adopted a new declaration of compliance.

No conflicts of interest arose in the reporting year which had to be disclosed to the Supervisory Board and about which the Annual General Meeting must be informed.

In addition, the Supervisory Board received a monthly written report from the Executive Board on the business development and results in the individual areas of the Group.

The committees established by the Supervisory Board, namely the Audit Committee as well as the Human Resources Committee supported the Supervisory Board in its work. The Audit Committee convened for seven meetings in financial year 2009 (on March 19, April 22, May 6, June 9, August 10, November 4 and December 10), whereby it dealt primarily with earnings, key figures, accounting, internal risk control and internal auditing as well as corporate strategy and the financial principles of the Group. The Human Resources Committee convened for four meetings in 2009 (on August 10, October 1, November 4 and December 10) in order to deal with those themes of relevance to it.

All Executive Board procedures requiring consent in accordance with the articles of incorporation and rules of procedure were submitted to the Supervisory Board. The Supervisory Board treated and reviewed these procedures in detail and discussed them with the Executive Board, whereby the focus was regularly placed on the benefits, the risks and effects of the respective procedure.

Overall, the Executive Board informed the Supervisory Board very openly, at all times and in detail about the Company and its development and in particular about the risk situation of the Group in accordance with the knowledge of the risk management. Regular additional meetings of the Executive Board with the Chairman of the Supervisory Board also contributed to this.

The Supervisory Board satisfied itself that the Company is being properly managed. The financial statements of STADA Arzneimittel AG and the consolidated financial statements as well as the Company's Management Report for financial year 2009 were audited by PKF Deutschland GmbH, Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, and issued with an unqualified audit opinion.

The Audit Committee reviewed the financial statements and consolidated financial statements as well as the Management Report and the Group Management report as well as the proposal for the appropriation of profits and also included the reports of the auditor on the audit of the financial statements in its review. The auditor reported on significant results of the audit in two meetings of the Audit Committee and was available for questions to the members of the Committee. The Audit Committee raised no objections and recommended to the Supervisory Board to approve the financial statements and the Management Report as well as the Group Management Report and assent to the Executive Board's proposal for the appropriation of profits.

As a result, the Supervisory Board examined the financial statements and the consolidated financial statements prepared by the Executive Board, the Management Report and the Group Management Report of the Executive Board on the financial year 2009 as well as the Executive Board's proposal for the appropriation of profits. The auditor reported to the Supervisory Board on significant results of the audit and was available to for questions the members of the Supervisory Board. Following the final results of the Supervisory Board's own examination, the Supervisory Board had no objections to the financial statements, the Management Report, the consolidated financial statements and the Group Management Report on the financial year 2009 and concurred with the outcome of the audit.

The Supervisory Board approved the financial statements and the consolidated financial statements prepared by the Executive Board. The financial statements are thus adopted. The Supervisory Board assented to the Executive Board's proposal for the appropriation of profits. In addition, the Supervisory Board assents to the individual assessments of the business situation and to the outlook as given in the Management Report of the Executive Board.

2009 was once again a challenging year for the STADA Group. Regulatory measures, particularly in the home market of Germany, as well as a very disadvantageous development, as compared to the previous year, of several currency relations that are important for the Group significantly burdened the sales and earnings level of the Group.

Nevertheless, in 2009, the Group recorded a sales increase in the amount of 4% adjusted for currency effects and changes in the portfolio, even though disclosed sales decreased by 5%. Despite this decrease in sales, STADA was able to increase, significantly, all reported key earnings figures in financial year 2009; the Group clearly exceeded the minimum goal of adjusted EBITDA of € 250 million which was communicated at the beginning of the year. Against this backdrop, the Supervisory Board concurs with the estimation of the Executive Board that overall, STADA achieved a good result in financial year 2009.

For this, the Supervisory Board wishes to express its gratitude and recognition to all employees as well as the Executive Board and the management.

Bad Vilbel, March 26, 2010

Dr. Martin Abend
Chairman of the Supervisory Board

BOARDS OF THE COMPANY

The STADA Supervisory Board (as of March 1, 2010)

Dr. Martin Abend, Dresden (Chairman)
Manfred Krüger[1)], Mühlheim am Main (Deputy Chairman)

Dr. Eckhard Brüggemann, Herne
Heike Ebert[1)], Niddatal
Dr. K. F. Arnold Hertzsch, Dresden
Dieter Koch, Kiel
Constantin Meyer, Seelze
Carl Ferdinand Oetker, Dusseldorf
Karin Schöpper[1)], Bad Vilbel

The Supervisory Board members can be contacted via STADA Arzneimittel AG's business address.

1) Employee representatives.

The STADA Executive Board (as of March 1, 2010)

Hartmut Retzlaff
Chairman of the Executive Board
Executive Board member since 1993
Chairman of the Executive Board since 1994
Contract until August 31, 2011

Helmut Kraft
Chief Financial Officer
Executive Board member since 2010
Contract until December 31, 2012

Christof Schumann
Chief Production and Development Officer
Executive Board member since 2006
Contract until December 31, 2010

The Executive Board members can be contacted via STADA Arzneimittel AG's business address.

The STADA Advisory Board (as of March 1, 2010)

Members of the STADA Advisory Board are appointed by the Chairman of the Supervisory Board on the recommendation of the Executive Board and the Supervisory Board. According to the Company's articles of incorporation, the duty of the Advisory Board is to support and advise the Executive and Supervisory Boards. Furthermore members of the Advisory Board are available to act as proxy for shareholders who do not wish to exercise their voting rights in person at the Annual General Meeting. The Advisory Board, newly appointed for five years from 2009 through 2013, currently includes the following orderly members:

Frank Füßl, Frankfurt am Main (Chairman)
Dr. Thomas Meyer, Seelze (Deputy Chairman)

Rika Aschenbrenner, Mainburg
Wolfgang Berger, Gießen
Gerd Berlin, Haßloch
Alfred Böhm, Munich
Dr. Jürgen Böhm, Kirchhain
Axel Boos, Darmstadt
Reimar Michael von Kolczynski, Stuttgart
Dr. Frank-R. Leu, Gießen
Dr. Hanns-Dietrich Rahn, Wiesbaden
Dr. Wolfgang Schlags, Mayen
Jürgen Schneider, Offenbach

The Advisory Board members can be contacted via STADA Arzneimittel AG's business address.

GLOSSARY FROM A TO Z

Active pharmaceutical ingredient: The pharmaceutically effective component of a drug (also API).

Approval: Permission under drug laws to market a drug in a national market.

Audit: In the pharmaceutical market: control of facilities and documentation of manufacturers or their suppliers.

AVWG: Economic Optimization of Pharmaceutical Care Act; took effect in Germany on May 1, 2006.

Biopharmaceuticals: Drugs in protein form produced biopharmaceutically, i.e. by means of genetically modified cell lines. In the EU, biopharmaceuticals are always subject to a central approval procedure.

Biosimilar: Biopharmaceutical product, i.e. drugs with a protein as biopharmaceutical active ingredient which is produced by genetically modified cell lines which, despite different producing cell lines, compared to an initial supplier product which is already on the market, is so similar that the biosimilar has proven therapeutic equivalence.

Commercial business: Purchase and subsequent sale of third-party products; in the pharmaceutical market this frequently refers to wholesale business or parallel imports.

Commercial property rights: Provide inventors or companies with protection against competition for an invention for a limited time period. The best-known commercial property right is the patent. In addition, SPCs play an important role in the pharmaceutical market.

Co-payment: The patient's own share of payment for services to public health care system.

Dosage form: Form in which an active pharmaceutical ingredient has been produced by pharmaceutical manufacturing and in which it is administered to the patient, e.g. tablets, capsules, drops etc.

Dossier: Documentation required in an application for drug approval that describes the quality, safety, and efficacy of a drug.

Erythropoietin (abbreviation Epo): Biopharmaceutical active ingredient in protein form, which is produced by living cell lines. Depending on the individual cell lines used and the production process associated with it, so-called glyco structures (oligosaccharide chains) can differ minimally. Epo-alpha and Epo-beta have been launched on the market among others; the Erythropoietin biosimilar being developed by BIOCEUTICALS is Epo-zeta. Erythropoietin is used, among other things, in nephrology for dialysis patients to stimulate hematopoieses as well as in cancer therapy.

Filgrastim: Biopharmaceutical active ingredient in protein form, which is produced by living cell lines. Filgrastim is used, among other things, in the treatment of a neutropenia, for example following cytotoxic chemotherapy or bone marrow transplants.

GKV: Public health insurance system in Germany.

GKV-WSG: Act for strengthening competition in public health insurance which took effect in Germany on April 1, 2007.

GMP: Good Manufacturing Practice – international production standard in the pharmaceutical industry.

Indication: Diseases for which a certain drug is used.

Label: Term used in the STADA Group for a uniform sales concept for different products.

Monoclonal antibody: Monoclonal antibodies are immunologically active proteins which are used against an individual epitope (surface structure) of an antigen (infectious substances or certain molecules) and specifically bind to that substance. Unlike the endogenic, physiological immunoreaction in which the polyclonal antibodies are generated by an entire series of B-lymphocytes and recognize various surface structures, monoclonal antibodies are generated with molecular biological methods and produced biotechnologically through genetically engineered cell lines. In addition to applications in research and diagnostics, monoclonal antibodies are becoming ever more important in medicine, for example in cancer therapy or in the treatment of auto-immune diseases and, due to their high degree of specificity and their generally good compatibility, they open up completely new therapy opportunities.

MR procedure: Mutual Recognition Procedure – European approval procedure enabling additional approvals in other EU countries based on the prior existence of national approval of a particular drug. The decentralized approval procedure has been in existence since 2005 as an alternative to the MR procedured.

Nephrology: Branch of internal medicine dealing with diagnostics and non-surgical therapy of kidney diseases.

Oncology: Science that deals with the study of cancer.

Parallel import: Pharmaceutical products are described as parallel import pharmaceuticals when a third party, i.e. a company that is independent of the holder of the approval and/or the manufacturer, acquires them in another EU or EEA member state and imports them to Germany in order to also market them there – parallel to the original pharmaceutical company.

Patent: In the pharmaceutical market: commercial property right granting active pharmaceutical ingredients market exclusivity for a limited period (in the EU 20 years for example).

Pharmacovigilance: Ongoing and systematic monitoring of the safety of a proprietary medicinal product with the objective to discover, assess and understand its adverse effects in order to take the necessary measures to minimize risks.

Pharmaceutical production: Conversion of pharmaceutical substances into a dosage form and its packaging into a finished pharmaceutical product, e.g. tablet.

Prescription obligation: The legal requirement specifying that, depending on the potential risk involved, drugs may be dispensed to patients on prescription only.

Protein: Albumen structure.

Reference pricing: Active pharmaceutical ingredient specific and/or active pharmaceutical ingredient combination specific reimbursement limit for drugs in the public health care system. If the price of a drug is above the reference price and it is not exchanged for a cheaper drug with the same active ingredient, then the patients must bear themselves as an additional contribution the difference to the reference price.

SPC: Supplementary Protection Certificate – commercial property right in the EU that extends the market exclusivity of the initial supplier by up to five years after patent expiration. SPCs must be applied for in each individual country; the date of the first EU approval is relevant for the beginning of the SPC period. The SPC period can vary from country to country.

FINANCIAL CALENDAR

2010

March 30, 2010	Publication of 2009 results with press and analysts' conference
May 12, 2010	Publication of Q1/2010 results
June 8, 2010	Annual General Meeting
August 12, 2010	Publication of 2010 interim results with press and analysts' conference
November 11, 2010	Publication of Q3/2010 results

2011

March 30, 2011	Publication of 2010 results with analysts' and press conference
May 12, 2011	Publication of Q1/2011 results
June 16, 2011	Annual General Meeting
August 11, 2011	Publication of 2011 interim results with analysts' and press conference
November 10, 2011	Publication of Q3/2011 results

Status at time of going to print; STADA reserves the right to change these dates. The current financial calendar can be found on the Internet at: www.stada.de and www.stada.com.

The Annual Report and the interim reports will be published on the dates listed above on the Company website (www.stada.de and www.stada.com), usually before trading begins on the Frankfurt Stock Exchange. Shareholders may receive printed copies of the reports on request.

PUBLISHING INFORMATION

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Publication
The complete Annual Report as well as current information on the STADA Group can be found on the Internet at www.stada.de or www.stada.com.

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VIVA STADA (department of STADA Arzneimittel AG), Bad Vilbel/Frankfurt am Main in cooperation with wagneralliance Werbung GmbH, Offenbach am Main

Photography
Andreas Koschate, Frankfurt am Main

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Druck- und Verlagshaus Thiele & Schwarz, Kassel

Forward-looking statements

The STADA Arzneimittel AG Annual Report contains certain statements regarding future events (as understood in the U.S. Private Securities Litigation Reform Act of 1995) that express the beliefs and expectations of management. Such statements are based on current expectations, estimates and forecasts on the part of company management and imply various known and unknown risks and uncertainties, which may result in actual earnings, the financial situation, growth or performance being materially different from the estimates expressed or implied in the forward-looking statements. Statements with respect to the future are characterized by the use of words such as “expect”, “intend”, “plan”, “anticipate”, “believe”, “estimate” and similar terms. STADA is of the opinion that the expectations reflected in forward-looking statements are appropriate; however, it cannot guarantee that these expectations will actually materialize. Risk factors include in particular: the influence of regulation of the pharmaceutical industry; the difficulty in making predictions concerning approvals by the regulatory authorities and other supervisory agencies; the regulatory environment and changes in the health-care policy and in the health care system of various countries; acceptance of and demand for new drugs and new therapies; the influence of competitive products and prices; the availability and costs of the active ingredients used in the production of pharmaceutical products; uncertainty concerning market acceptance when innovative products are introduced, presently being sold or under development; the effect of changes in the customer structure; dependence on strategic alliances; exchange rate and interest rate fluctuations, operating results, as well as other factors detailed in the annual reports and in other Company statements. STADA Arzneimittel AG does not assume any obligation to update these forward-looking statements or adapt them to future events and developments.

Rounding

In the general portion of this Annual Report, STADA key figures are, as a rule, rounded to millions of euro, while the Notes present these figures, as a rule, with greater accuracy in thousands of euro. Due to rounding of these figures, differences may arise in individual figures between the general portion and the Notes, as well as from figures actually achieved in euro; these differences cannot be considered material.

Accounting

Since January 1, 2002, STADA has been keeping its consolidated accounts in accordance with International Financial Reporting Standards (IFRS), previously known as International Accounting Standards (IAS), as promulgated by the International Accounting Standards Board (IASB). Data prior to this date is based on accounting according to the German Commercial Code (HGB). In addition, all Group results mentioned in this Annual Report from before January 1, 2002 have been converted from the reporting currency used prior to this time (the German Mark) to the current Group currency, the euro. The official exchange rate (€ 1.00 = DM 1.95583) has been used exclusively in this retroactive adjustment. The accounting treatment of shareholdings in BIOCEUTICALS Arzneimittel AG was changed retroactively for the years 2007 to 2001 (see “Financial Situation – Development of the Balance Sheet”). For reasons of the practicability caveat as specified under IAS 8.43 ff., the comparison figures and the key figures for the 2006 to 2001 period were not adapted. Therefore, disclosures made in this Annual Report for financial years 2006 and before do not include the recognition of BIOCEUTICALS Arzneimittel AG as an associated company under the equity method.

FIVE-YEAR CONSOLIDATED FINANCIAL SUMMARY

Group sales in € million	2009	2008	2007	2006	2005
Total Group sales	1,568.8	1,646.2	1,570.5	1,245.1	1,022.1
• Core segment Generics	1,115.6	1,154.5	1,154.4	911.2	739.0[1]
• Core segment Branded Products	392.6	368.9	304.0	259.1	211.4[1]
• Commercial business	51.6	58.4	69.0	63.7	39.7
• Other sales	9.0	64.4	43.1	11.0	6.8

Sales by region[2] in € million	2009	2008	2007	2006	2005
Europe	1,501.0	1,590.6	1,513.1	1,180.6	959.8
• Belgium	125.7	110.7	101.8	109.6	93.6
• Bosnia-Herzegovina	14.8	19.0	19.9	9.3	0.3
• Bulgaria	6.1	5.9	4.6	2.7	1.6
• Denmark	25.9	18.5	22.0	23.6	19.3
• Germany	531.6	564.0	579.8	481.9	440.9
• Finland	5.1	9.2	6.1	5.1	0.4
• France	82.4	91.4	87.0	79.6	70.7
• United Kingdom	51.3	100.9	75.7	40.1	30.3
• Ireland	20.1	25.3	23.5	16.9	15.6
• Italy	117.1	124.2	117.2	109.0	94.6
• Macedonia	2.7	2.7	2.9	1.6	-
• Montenegro	6.0	7.4	9.4	2.9	-
• The Netherlands	38.2	41.3	40.7	38.9	38.6
• Austria	15.3	14.5	13.1	11.3	10.4
• Poland	3.4	-0.3	5.2	2.7	0.3
• Portugal	11.3	9.1	12.3	10.3	5.3
• Romania	4.1	3.0	6.7	5.8	1.9
• Russia	191.9	183.4	133.8	87.5	56.6
• Sweden	4.8	3.2	2.5	1.9	2.2
• Serbia	118.6	144.5	145.1	46.1	0.0
• Slovakia	5.7	4.9	3.8	2.5	1.0
• Spain	73.9	65.9	62.7	61.1	53.0
• Czech Republic	12.2	10.0	8.9	8.3	6.1
• Ukraine	19.7	17.1	13.0	9.4	6.5
• Rest of Europe	13.0	14.8	15.5	12.7	10.6
The Americas	14.5	5.7	8.1	19.0	34.1
• USA	13.7[3]	3.9[3]	6.5[3]	18.5	34.0
• Rest of Americas	0.8	1.8	1.6	0.5	0.1
Asia	45.9	47.2	44.7	42.9	28.1
• China	2.0	6.8	8.0	5.5	7.0
• Kazakhstan	8.0	6.9	5.4	4.5	3.4
• The Philippines	12.1	11.1	9.8	7.4	6.5
• Thailand	2.2	2.2	3.1	2.0	2.4
• Vietnam	9.8	7.5	7.9	18.4	6.1
• Rest of Asia	11.6	12.7	10.6	5.1	2.7
Rest of world	7.4	2.7	4.5	2.6	0.1

1) Including allocation of relevant sales from the former core segment Specialty Pharmaceuticals.

2) Broken down according to the national market in which the sales were achieved.
3) Exclusively export sales to the USA.

Financial key figures in € million	2009	2008	2007[1]	2006[1]	2005[1]
Operating profit	191.9	176.4	215.5	180.5	127.1
EBITDA	280.1	255.4	288.6	232.6	161.2
Adjusted EBITDA[2]	*287.5*	*294.3*	*315.5*	*233.0*	*176.6*
EBIT	192.5	175.2	186.8	168.7	107.1
Earnings before taxes (EBT)	141.5	105.5	149.8	145.2	97.5
Net income	100.4	76.2	104.2	91.8	51.6
Adjusted net income[2]	*115.8*	*116.0*	*144.9*	*102.1*	*80.5*
Cash flow from operating activities	250.5	129.3	92.9	-13.0	163.3

Asset & capital structure in € million	2009	2008	2007[1]	2006[1]	2005[1]
Total equity and liabilities	2,451.7	2,469.5	2,541.5	2,150.2	1,349.8
Non-current assets	1,406.6	1,412.9	1,499.4	1,294.7	783.8
Current assets	1,045.1	1,056.6	1,042.0	855.6	566.0
Equity	869.7	839.7	919.6	863.1	684.8
Equity-to-assets ratio in percent	35.5%	34.0%	36.2%	40.1%	50.7%
Non-current liabilities and provisions	683.5	887.7	757.6	795.0	316.9
Current liabilities and provisions	898.5	742.1	864.2	492.1	348.1
Net debt	899.0	1,015.7	958.5	773.0	234.2

Capital expenditure/depreciation & amortization in € million	2009	2008	2007	2006	2005
Total capital expenditure	124.8	137.3	193.5	236.3	207.1
• on intangible assets	73.9	60.3	150.5	196.9	168.9
• on property, plant and equipment	50.8	72.2	42.0	26.4	14.8
• on financial assets	0.1	4.8	1.0	13.0	23.3
Total depreciation and amortization	90.3	80.2	101.7	63.9	54.1
• on intangible assets	57.6	49.3	71.0	47.5	37.1
• on property, plant and equipment	32.4	30.9	27.6	16.3	10.1
• on financial assets	0.3	0	3.1	0	6.9

Employees	2009	2008	2007	2006	2005
Average number of employees per year[3]	8,064	8,318	7,792	5,442	3,892

Key figures per STADA share	2009	2008	2007[1]	2006[1]	2005[1]
Market capitalization (year-end) in € million	1,424.2	1,204.6	2,469.2	2,531.2	1,479.3
Year-end closing price ordinary share in €	24.20	20.50	42.05	43.45	27.65
Number of shares (average)	58,662,392	58,632,021	58,315,643	53,983,327	53,317,303
Basic earnings per share in €[4]	1.71	1.30	1.79	1.70	0.97
Adjusted earnings per share[2]	*1.97*	*1.98*	*2.48*	*1.89*	*1.51*
Diluted earnings per share in €[5]	1.70	1.28	1.72	1.62	0.91
Dividend per ordinary share in €	0.55[6]	0.52	0.71	0.62	0.39
Total dividend payments in € million	32.3[6]	30.5	41.6	36.0	20.8

1) The accounting treatment of shareholdings in BIOCEUTICALS Arzneimittel AG was changed retroactively for the years 2007 to 2001 (see "Financial Situation – Development of the Balance Sheet"). For reasons of the practicability caveat as specified under IAS 8.43 ff., the comparison figures and the key figures for the 2006 to 2001 period were not adapted. Therefore, disclosures made in this Annual Report for financial years 2006 and before do not include the recognition of BIOCEUTICALS Arzneimittel AG as an associated company under the equity method.
2) Adjustment for the one-time special effects as well as effects from currency influences and interest rate hedge transactions respectively incurred.
3) Employees of companies consolidated at only 50% have been included in accordance with their respective consolidation rate.
4) In accordance with IAS 33.10.
5) In accordance with IAS 33.31.
6) Proposed.

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